THE STATE OF MONTANA 1995 - 1999 CONSOLIDATED PLAN

SUBMISSION TO HUD

VOLUME II

CONSOLIDATING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM EMERGENCY SHELTER GRANT PROGRAM AND THE HOME PROGRAM

DESIGNED TO BE INITIATED
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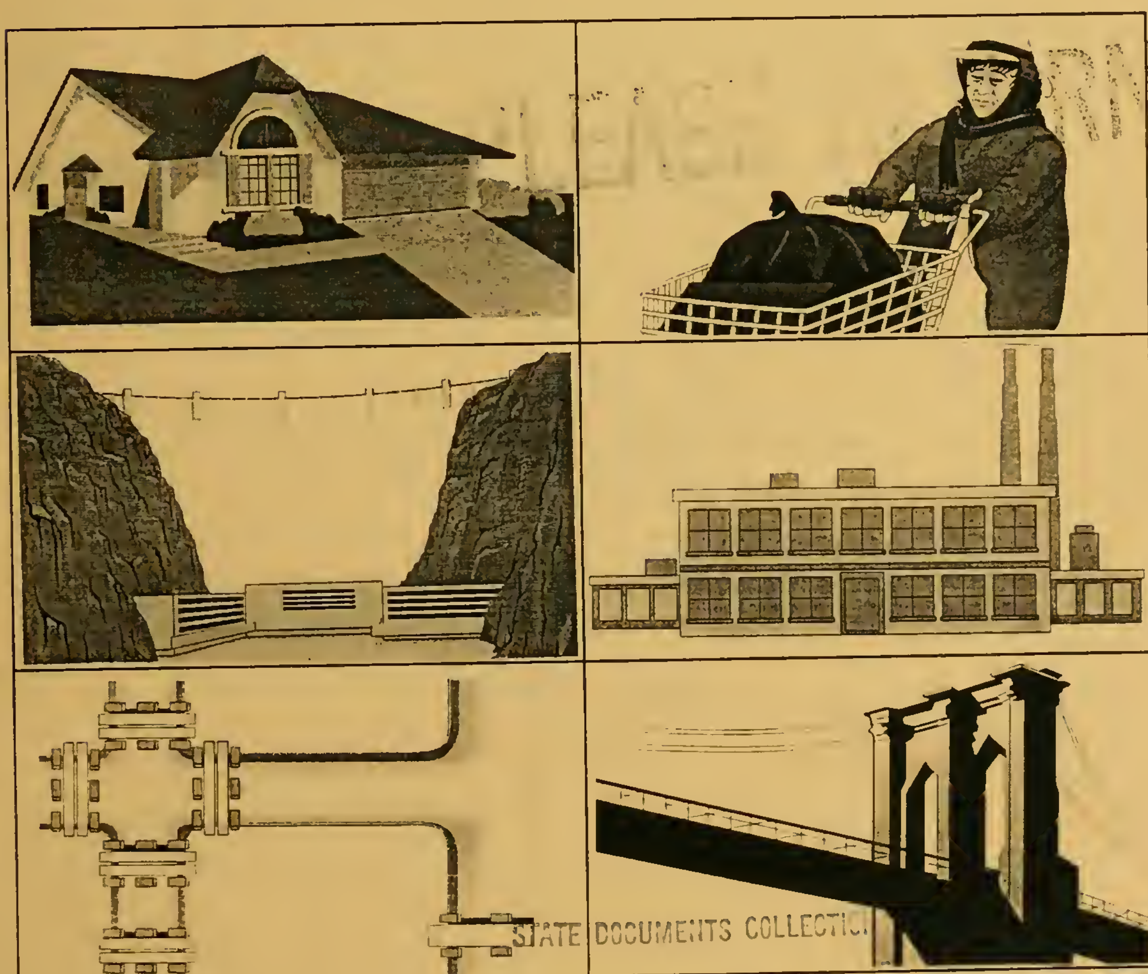

THE STATE OF MONTANA

1995 THROUGH 1999

CONSOLIDATED PLAN

VOLUME II

DRAFT FOR PUBLIC REVIEW

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THE MONTANA CONSOLIDATED PLAN
FOR FISCAL YEARS 1995-99

INTRODUCTION

During calendar 1994, the U.S. Department of Housing and Urban Development issued rules relating to the consolidation of several formula grant programs. These are the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) programs. The first three programs are applicable to Montana. With the consolidation of the programs also come a uniform time period by which the programs will be implemented and operated. Previously, each of these programs had separate application processes for funding (from HUD). This is no longer the case, as they are herein consolidated as a single submission.

Montana has elected to issue this Consolidated Plan Submission as a two volume set. The first volume pertains to the five-year strategy, identifying issues and needs to be addressed over the next several years. Volume II, this report, presents the Annual Plan. The annual plan contains the individual program applications that would normally be part of the individual program applications to HUD, along with their respective documentation and certifications. It is anticipated that much of this volume will change from year to year, as the program levels change, specific issues are resolved, and new needs arise.

The purpose of this report (Volume II) is to present the results of the State's first consolidation and planning process. Herein are the application packages for the three formula allocation programs: HOME, CDBG, and ESG.

The consolidated plan process has brought together the planning, application, reporting, and citizen participation components of each of the formula programs. It promotes a unifying opportunity for units of local government, the State, and others, thus laying the foundation for development of cohesive, attractive, safe, and economically vibrant communities. The focus of this plan is to bring together diverse elements of communities and create a cohesive view of their problems and use that view to fashion a comprehensive approach to community development. The consolidated planning process encourages all citizens, especially low income residents, to take a part in shaping their own future.

HUD's formula programs, alone, in concert with one another, and with other HUD-funded programs, have three basic goals pertinent to the consolidated plan: to provide decent housing; to provide a suitable living environment; and to expand economic opportunities. Providing decent housing may involve assisting homeless people to obtain appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination, and increasing supportive housing to assist persons with special needs. Providing a suitable living environment means improving the safety and livability of neighborhoods; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural,

and aesthetic value; and conserving energy resources. To expand economic opportunities, the comprehensive approach emphasizes creation of accessible jobs, providing access to credit for community development, and assisting low-income persons to achieve self-sufficiency in federally assisted and public housing.

The objective of this Volume II report are varied. First, this report is designed to contain all these formula grant program guidelines, thereby encouraging the consolidation of the application process. Also, this document places within a single context each of the sets of needs being addressed by the State over the short run, allowing each set of application guidelines to be viewed individually or in concert with the others.

The Consolidated Plan will provide details to citizens, public agencies, and other interested parties of the amount of assistance the jurisdiction expects to receive, range of activities that may be undertaken, and the general program activities that will be planned in addressing the priority needs outlined in the plan. The plan also presents details on analysis and evaluation of priority needs statewide, as well as presenting policies related to the provision of affordable housing and community development. The plan also offers certifications stating that statutory guidelines have been followed, such as efforts to minimize the displacement of people and to assist persons who have been displaced.

The goal of this document is to present to HUD a single narrative covering all aspects of these programs. It will address the near term, single program year for 1995. The content of this report is as follows:

- Annual Plan Needs Summary, and identifiable targets;
- Summary of eligibility and methodology for distributing funds;
- Program application guidelines; and
- Certifications.

SUMMARY OF HOUSING AND COMMUNITY DEVELOPMENT NEEDS

HOUSING

Housing needs across the state of Montana vary widely. The extreme diversity in available housing, the age of the housing stock, and the overall range in population density complicate assessments of the degree and type of need. There is a broad array of housing availability, affordability, and suitability problems across Montana. Simply treating the symptoms of the malady will not be sufficient to solve the problems. Resources do not appear to be adequate to deal with all the housing needs and requirements that plague the state.

The difficulties are becoming more structural for low-income households and families and have spread to nearly all income groups, except the wealthy. Regardless of the overwhelming demand for affordable housing, Montana will be implementing programs and delivering services to in-need populations around the state, attempting to continue a process that minimizes the state's housing problems. The general goals are to:

- Expand the supply of decent and affordable housing, particularly rental housing, for low- and very low-income Montanans. This includes making existing rental housing affordable through tenant-based rental assistance.

- Strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing for all Montanans.

- Provide both financial and technical assistance to local government and non-profit entities, including the development of model programs for affordable low-income housing.

- Extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing.

With these broad-based goals in mind, Montana anticipates supporting any and all programs that address housing needs throughout the state. These needs can be classed as four categorical difficulties, as reviewed below.

INSUFFICIENT HOUSING AVAILABILITY

Lack of available housing is a problem that requires resolution; little is available for low- and moderate-income Montanans in most parts of the state. If housing is available, it tends to be of substandard quality. Since the 1990 Census was taken, Montana's major cities have experienced a dramatic increase in population that is driving up the demand for housing; prices are following demand accordingly; statewide, the population has risen nearly 5 percent, with some local areas experiencing far greater increases.

In cities such as Kalispell, Missoula, Bozeman, Helena, and Billings, in-migration is often comprised of higher income persons who are in a better position to purchase land and buildings than many current state residents. Of those Montanans who can afford housing, many resign themselves to acquiring lower-quality shelter due to the encroaching housing shortage. Low-income Montanans lose housing options. People fear becoming homeless because they can no longer afford housing in their area, whether rented or owned. The homes currently being constructed are the more expensive, up-scale homes. Little, if any, construction activity has created affordably priced homes and rental property in the last several years. Within the next few years, Section 8 waiting lists administered by the state are expected to swell by about 65 percent, to over 10,000 people.

ABSENCE OF HOUSING AFFORDABILITY

Housing affordability varies widely around the state, but it is typically a more severe problem in the urbanized areas. Rural and sparsely populated regions of Montana tend to experience dual problems with housing shortages and poor quality. Because of the tight market and general lack of home building, prices for both houses and rental units have risen sharply in the last year.

There is a large gap between what the market is supplying and what people can afford. Some Section 8 landlords are increasing rents at annual review, citing prevailing market rates, taxes, and sewer increases. Other Section 8 landlords are simply leaving the program in favor of the private rental market, which provides wider profit margins, citing HUD limitations on rent increases and use of vouchers and certificates as the reason for the switch.

INADEQUATE HOUSING SUITABILITY

A major problem pertains to the structural and physical integrity of the housing stock. Many people who live in their own homes do not have incomes high enough to maintain them. Physical deficiencies are of great concern in many housing units across the state. A portion of the housing stock is 100 years old and built on sandstone foundations. Many structures also tend to have old, inadequate electrical wiring and gas vented chimneys used for wood stoves. Most older homes are poorly insulated. Particularly troubling for the large stock of Montana's older homes is the prospective risk of lead-based paint hazards. Nearly two-thirds of Montana's housing stock could be affected, although low-income rentals present the greatest risks.

Lack of return on investment is a major problem for landlords of housing units that need rehabilitation. Landlords do not want to lose their present tenants, but are also reluctant to borrow money and incur debt when they cannot afford to evict tenants or raise the rents to meet the debt service.

LACK OF HOUSING ACCESSIBILITY

Under the Americans with Disabilities Act, housing accessibility has become a visible need across the state. Accessibility is a problem unless a unit is specifically built for people with disabilities. Modifications are often difficult and expensive, and must be completely removed when the tenant leaves (according to the ADA). Most people with disabilities cannot afford to do this, and landlords do not want the inconvenience or cost of constant remodelling. However, there are needs for housing for persons with other types of disabilities too.

INSUFFICIENT SUPPORTIVE HOUSING

The housing component of the Montana State Mental Health Division (Residential Services) includes the state's two mental health institutions: Montana State Hospital and the Montana Center for the Aged. One of the major emphases in the Montana Public Mental Health System Plan regarding the State Hospital is recognition of the need for improving the process of transition for patients going from the hospital to the community. This goal is outlined in the Public Mental Health System Plan:

> The process of patient discharge planning at the hospital will be reviewed and updated. Formal discharge planning for each patient will begin at the time of admission to the hospital and will involve staff members from the hospital and the community mental health center that serves the patient's home community. This will help to identify the components of hospital treatment that will be important in helping patients prepare for a successful return to their home community. It will also help to identify the service and support that patients will need upon discharge from the hospital.

The mental health plan identifies an ideal system of community services for adults with severe and disabling mental illness. Housing for the mentally ill, one of the strategy areas, calls for the continuation of the 100 beds in group homes, and the addition of three group homes for mentally ill elderly persons (eight beds). The plan proposes the building of nine, one-apartment transition beds, and payment of rental costs for apartment managers at these sites. Emergency funds for 200 persons will be made available to assist clients with rent deposits, furnishings, and emergencies. A department staff person will be assigned to provide technical assistance in housing the mentally ill. These plans go along with the Mental Health Division's goal of encouraging the provision of supportive services in the "least restrictive, most natural and least disruptive setting possible."

Montana's Older Americans Act (1987) reaffirms the State's commitment to its older citizens. The act describes older Montanans as a valuable resource that it is not receiving sufficient services in all areas of the state. The act identifies the services needed by the State's elderly population, and plans are laid out for the following:

- develop appropriate programs;
- coordinate and integrate all levels of service;
- create a directory of available services and transportation to them;
- programs to facilitate self-care;
- physical and mental health care;
- legal programs;
- adult education; and
- research in aging.

The facilitator of elderly assistance is the Governor's Office on Aging, established in 1983. The office is responsible for developing and administering the state's plan on aging, develop an intrastate funding formula, representing the interests of the elderly in state legislative and regulatory bodies, and evaluating Area Agency on Aging activities.

While there are other segments of the in-need populations, such as the AIDS/HIV infected persons or those with alcohol or other drug dependence problems, and the State plans to distribute funds to these groups, funding levels are in line with the relative size and severity of the problems in Montana.

While the state has about 140,000 persons over the age of 60, about 12,993 of these persons require assistance, in some form, for housing. Of those, 3,267 are estimated to be frail elderly.

SUMMARY OF NEEDS FOR HOMELESS AND THOSE THREATENED WITH HOMELESSNESS

Graduate students in the Department of Political Science at the University of Montana. Missoula, prepared a study for the Department of Social and Rehabilitation Services on a portion of Montana's homeless population, the sheltered homeless. The study, completed in May 1993, was designed to count sheltered homeless people in the state. Those living on the street, in institutionalized settings, or doubled-up with friends or relatives in existing housing were not included. The study provided demographic information on sheltered homelessness, and identified needs and the services available to Montana's sheltered homeless.

A physical count of sheltered homeless people was taken on two separate nights, December 2, 1992, and January 26, 1993, at 40 specified shelters. The study targeted 17 emergency shelters, seven domestic violence shelters, eight runaway youth shelters, and eight voucher systems. Few of the shelters were in northeastern Montana, and none in the southeast. Most surveyed shelters were located in urbanized areas (six in Billings, five in Missoula, and five in Bozeman).

The study concluded that approximately 502 homeless persons seek shelter each day during December and January. The December count included 548 persons requesting shelter, and 461 on the January date. On each night, 16 people requesting shelter were turned away,

two from the emergency shelters, 14 from runaway youth shelters. Shelters turned away homeless people primarily due to lack of space, and secondly due to behavioral problems. A majority of homeless people (352) were served by emergency shelters, while 70 stayed in domestic violence shelters, 41 stayed in runaway youth shelters, and 23 utilized the shelter voucher system.

A survey instrument completed by the shelter directors asked for information related to age, sex, race/ethnic origin, and family status of shelter clients. The mean age of sheltered homeless persons in Montana is 26 years. Individuals under the age of 19 made up 43 percent of the total sheltered homeless population, with a majority of that group under age 9. Sixty-one percent of sheltered homeless individuals were male, 39 percent female. Females made up a majority only in domestic violence shelters (67 percent, or 47 of 70 people). Adults between the ages of 20 and 49 represented 48 percent of the sheltered homeless population, most in their 30s. Only 9 percent of the homeless were over age 50.

Native Americans were disproportionately represented in the studied homeless population. They constitute 24 percent of the sheltered homeless population, yet they make up only 6 percent of the total statewide population. Whites represented 72 percent of persons in shelter facilities.

Additional information about the homeless in Montana was collected by the University through two questionnaires: the first was distributed to directors to solicit their opinion of the make-up and needs of their patrons; the second was offered only to emergency shelter clients, who completed the survey on a voluntary basis. According to the shelter directors, the average length of stay at a shelter ranged from 8 to 20 days; clients stayed longest at domestic violence shelters, ranging from 20 to 37 days. Those using vouchers typically remained only 1 to 5 days.

Domestic violence was most commonly cited by shelter directors as the reason for homelessness, but job skills, substance abuse, and affordable housing followed closely. Respondents cited deinstitutionalization, public assistance, problems, other difficulties, and runaway youth less frequently as the reason for their homelessness. Note, however, that some shelters do not take in runaway youth.

Hence, homeless adults are more likely to identify economic-related reasons, such as unemployment or 'moved to seek work,' as the cause of their homelessness. Substance abuse was rated by this type of respondent as a less frequent cause of their homelessness, while domestic violence was rated lowest by shelter clients. The difference between the two tables can be attributed in part to the limitation of the shelter client survey; it was available only to clients of emergency shelters. Therefore, Montana's homeless are primarily in need of long-term job training and counseling. Transitional housing, permanent housing, and employment were also cited as in great need. Their immediate needs relate to affordably priced permanent housing, medical health services, food, and clothing.

It is important to note that not all homeless persons were able to locate shelter during the SRS count nights. During both counts, 16 people were turned away. Most of these were youths (14 of 16), some with behavioral problems and others who may have gone to a shelter that was unable to take them. Therefore, runaway and homeless youths appear to require additional facilities and special counseling.

NON-HOUSING COMMUNITY DEVELOPMENT NEEDS
MONTANA'S INFRASTRUCTURE

One of the most critical problems facing the State of Montana is the condition of its infrastructure. For many years, key structures such as bridges, roads, bus systems, water supply systems, jails, libraries and courthouses have been taken for granted. For various reasons, there has been no systematic investment in operations, maintenance and replacement of the public facilities. Today, the results of this neglect are becoming critical. The Montana infrastructure problem needs immediate attention. Unaddressed, the facilities will continue to decline and the costs of replacing these vital systems will escalate beyond the limits of the State's funding capacity altogether.

In a large state with a small population, the cost of maintaining infrastructure systems is high. Montana spends $416 per capita on its highways, for example, the third highest in the nation. The interstate and state-maintained highways are in good condition, but county and municipally maintained roads need work. The 1987 Montana Legislature passed a fuel tax increase, which was estimated to yield $150 million over the next 10 years, but this is not enough.[1]

There have been two studies of Montana's infrastructure done in the past ten years. In 1984, the Governor's Task Force on Infrastructure published a report on the (then) current condition of Montana's infrastructure. In January 1991, the Community Technical Assistance Program, Montana Department of Commerce prepared a report called: *Statewide Infrastructure Needs By Type of Public Facility*. The long-term funding needs of facilities were as follows:

[1] The Governor's Council on Economic Development, The Next Century: Strategies for Advancing Montana's Economy, December 1988.

LONG-TERM FUNDING NEEDS

FACILITY TYPE	1984	1991
Bridges	100,000,000	81,000,000
Roads/Streets	8,000,000,000	9,100,000,000
Airports	not specified	22,400,000
Rail Transportation	not specified	30,300,000
Bus System (Public Transportation)	2,500,000	16,000,000
Water Supply System	not specified	357,700,000
Dams	not specified	not specified
Wastewater Treatment/Disposal	231,276,000	not specified
Solid Waste System	not specified	17,500,000
Hazardous Waste Clean-Up	not specified	4,000,000
Libraries	not specified	600,000
Jails	56,000,000	not specified
TOTAL	8,389,776,000	9,629,500,000

Taking into account that the amounts "not specified" would be numbers in proportion to the ones that were available, and the fact that it is now three years later, we can estimate the current long-term funding needs at over $10 billion! This figure does not include other facilities in need of repair or replacement such as animal shelters, courthouses, fire stations, museums, parks, parking facilities, police stations, and fairgrounds.

Current short-term needs of facilities have been reported as:

SHORT-TERM FUNDING NEEDS

FACILITY TYPE	1994
Bridges	109,000,000
Highways	1,882,000,000
Water Quality	82,236,000
Drinking Water & Wastewater Treatment	59,105,000
Landfills	5,661,000
TOTAL	2,138,002,000

MONTANA 10-YEAR HIGHWAY NEEDS (IN MILLIONS) FISCAL YEAR 1994

SYSTEM NAME	FULL DESIGN STANDARDS (Total Fed & State)	MINIMUM STANDARDS (Total Fed & State)
Interstate	$668	$350
Primary NHS (a)	$1,517	$572
Primary STP	$2,584	$547
Secondary	$865	$318
Urban NHS (a)	$83	$14
Urban STP	$101	$56
Orphan STP Plant	$34	$6
Orphan Plant	$102	$19
Bridges	$109	$109
TOTAL	$6,063	$1,991

MONTANA WATER QUALITY FISCAL YEAR 1994

NAME	CATEGORY	COST
Big Sky WWTP Improv.	I,II	$5,000
Town of Stockett	I,IVA	$250
City of Missoula S.W. Missoula	IVA	$2,300
City of Missoula Rattlesnake	IVA	$1,000
Town of Lodge Grass Lagoon	I	$300
Whitefish Co. W & S Dist.	IIIB,IVA,IVB	$3,450
Westshore Co. W & S Dist.	IVA,IVB	$700
St. Mary's WWTP/SCS	I,IVA,IVB	$405
City of Thompson Falls Sewers/Inter.	IIIB	$400
Powell Co. (Garrison)	I,IVA,IVB	$320
City of Cut Bank	I	$750
Big Arm WWTP/SCS	I,IVA,IVB	$4,200
Town of Cascade Lagoon	I	$350
Town of Frazer Inter./Lagoon	IVB	$500
Town of St. Regis WWTP/SCS	I,IVA,IVB	$2,400
Town of Seeley Lake WWTP/SCS	I,IVA,IVB	$2,100
Town of Hilger	I,IVA	$750
Town of Vaughn Lagoon	I	$700
Fallon Co. W & S Dist./SCS	IVA,IVB	$523
City of Missoula 39th St. Inter.	IVB	$80
City of Missoula Cooke/Knowles/Eddy	IVA,IVB	$500
City of Missoula Reserve St.Corr.Coll	IVA	$4,510
City of Missoula W. Mullan Coll.	IVA	$400
City of Red Lodge Collectors	IVA	$150
City of Hamilton Sewers	IIIA,IVA,IVB	$3,000
City of Great Falls Galt Ave. Inter.	IVB	$640
City of Harlowton Rehab	IIIB	$250

MONTANA WATER QUALITY
FISCAL YEAR 1994

NAME	CATEGORY	COST
City of Helena WWTP Improv.	I	$300
Cooke City WWTP/SCS	I,IVA	$1,150
City of Lewistown SCS	IVA,	$400
Town of Terry SCS Improv.	IIIB	$1,700
Worden-Ballantine W&S Dist. SCS Imp.	IIIB	$200
City of Plentywood Lagoon	I	$315
Town of Belt	IIIB	$500
City of Butte WWTP Improv.	I	$1,300
Rae Co. W & S Dist.	I	$700
Lewis & Clark Co. SCS (Helena Valley)	IVA,IVB	$2,600
Town of Stanford Lagoon	I	$210
Town of Huntley WWTP/SCS	I,IVA,IVB	$483
Town of Shepherd WWTP/SCS	I,IVA,IVB	$580
Stillwater Co. (Reedpoint)	I,IVA	$700
Town of Valier Lagoon	I	$420
Town of Brady Lagoon	I	$250
Rocker Co. W & S Dist.	I	$250
South Libby Flats Coll.	IVA,IVB	$500
Town of Troy Lagoon/SCS	I,IVA,IVB	$3,800
Town of Box Elder Lagoons	I,IIIA	$400
City of Belgrade	I,IVB	$2,000
Town of Arlee WWTP/SCS	I,IVA,IVB	$715
City of Hardin Interc. Rehab.	IIIB	$3,500
City of Townsend	I	$1,100
City of Wolf Point Lagoon Improv.	I	$1,000
Lincoln Co. (Milnor Lake)	I	$1,000
Lincoln Co. (Savage Lake)	I	$1,000
Town of West Yellowstone	I	$100
City of Dillon Interc.	IVB	$470
Richland Co. (Savage)	I	$420
Town of Victor WWTP Improv.	I	$1,000
Lincoln Co. Septage Study	I	$750
Town of Darby Lift Station	IIIB	$100
Town of Martinsdale	I,IVA,IVB	$900
West Glendive SCS	I,IVB	$500
City of Missoula Mullan Interc.	IVA	$1,270
City of Whitefish Interc.	IVB	$420
City of Ronan Lagoon Improv.	I	$500
Lincoln/Lewis and Clark Sewer Dist.	I	$45
City of Shelby Sewers/WWTP Improv.	IIIB	$500
Town of Columbus Lagoon	I	$450
City of Big Timber WWT Fac.	I,IVA	$1,200
Town of Brockton Lagoon	I	$420
City of Red Lodge WWTP	I	$630

MONTANA WATER QUALITY
FISCAL YEAR 1994

NAME	CATEGORY	COST
City of White Sulphur Springs Lagoon	I	$250
City of Havre Sludge Improv.	I	$200
City of Laurel Drying Beds/SCS	I	$160
City of Billings Aeration	I	$500
Town of Boulder Storm Sewers	IVB	$300
City of Billings Heights Coll.	IVA,IVB	$2,000
City of Great Falls Storm Sewers	IVB	$6,000
City of Missoula WWTP Improv.	I	$150
TOTAL		$82,236

MONTANA WASTE WATER SYSTEMS
NEEDED WATER QUALITY IMPROVEMENTS
FISCAL YEAR 1994

WATER DISTRICT NAME DRINKING WATER PROJECTS	IMPROVEMENT DESCRIPTION	CURRENT COST (1,000s)
Dillon	wells, storage	$500
Neihart	treatment plant	$750
Butte	treatment plant	$6,500
Butte	storage, mains	$1,000
Anaconda	wells, storage	$1,000
Helena (Hale System)	well, storage, mains	$1,300
Helena	replace mains	$200
Helena (Eureka System)	new pump house	$100
Columbia Falls	wells, storage	$500
Ennis	storage, mains	$1,000
Seeley Lake	treatment plant	$1,000
Mountain Water Co. (Missoula)	storage, mains	$862
Glasgow	treatment plant/pilot studies	$150
Thompson Falls	storage modifications	$50
Helena	storage	$1,580
Kalispell	wells, mains	$600
Butte (Big Hole)	source intake	$75
Butte (Basin Creek)	structures	$300
Butte (Moulton)	site work	$1,000
Havre	plant piping, mains	$100
Libby	treatment plant	$3,000
Plains	wellhouse, transmission main	$500
Bozeman	basin structures	$1,700
Bozeman	mains	$2,250
Great Falls	treatment equipment	$680
Big Timber	water supply	$50
Billings	treatment equipment	$1,700
Billings	replace mains	$1,800

Miles City	replace mains	$75
Lima	transmission main	$450
Bridger	replace mains	$10
Mountain Water Co. (Missoula)	storage, mains	$4,418
WASTEWATER PROJECTS		
Stockett	public health hazard	$250
Evergreen	water quality standard violations	$3,600
SW Missoula	failed septic systems	$325
Westshore	water quality standard violations	$700
Hobson	plant upgrade, standard violations	$50
Butte	plant upgrade	$500
Belt	plant upgrade, standard violations	$500
Wolf Point	plant upgrade	$1,000
West Yellowstone	plant upgrade, standard violations	$500
Ronan	plant upgrade, standard violations	$500
Shelby	public health hazard	$500
Great Falls	storm sewers	$2,500
Thompson Falls	sewer system improvements	$400
Big Sky	plant upgrade, standard violations	$3,500
St. Regis	public health hazard	$2,330
Vaughn	standard violations	$700
Hamilton	sewer system improvements	$900
Butte	plant upgrade (sludge standards)	$800
Rae District	plant upgrade	$700
Great Falls	storm sewers	$3,500
Missoula	plant upgrade	$150
TOTAL		$59,105

MONTANA SOLID WASTE PROJECTS
FISCAL YEAR 1994

LANDFILL NAME	PROJECT DESCRIPTION (all are in order to comply with EPA regs. X = extra project)	PROJECT COSTS	TIME FRAME (for completion)
Beaverhead County	finish closing old site/on-going monitoring	unknown	on-going
Big Horn County	X = new building for equipment	20,000	1995
Custer County	storm water retention pond	6,500	Fall 1994
	liner	650,000	1996-97

Daniels County	storm water retention pond	15,000	Spring
	methane wells	5,000	1995
	water monitoring wells	30,000	Spring
	on-going monitoring	11,000	1995
			Spring
			1995
			yearly
Dawson County	storm water drainage	353,000	Spring
	methane monitoring	unknown	1995
	X=new building	60,000	yearly
	X=chipper for trees	20,000	Spring
	X=landfill compactor	140,000	1995
			Spring
			1995
			Spring
			1995
Fallon County	financial assurances	10,000	yearly
Flathead County	closure/post-closure plan on existing landfill/lateral expansion	unknown	2000-01
Gallatin County (Logan)	No projects planned at this time	0	
Gallatin County (City of Bozeman)	waste screening, methane monitoring, liner, financial assurances, retention pond	1,000,000+	end of 1995
Hill, Blaine, & Chouteau	holding pond for storm water run-off	3,000	Spring 1995
Lake County	revegitate closed area	30,000	Nov 1994
	detention pond for run-off	18,000	April 1995
	update operational plan	10,000	end of 1994
Lewis & Clark County	post-closure at old site	120,000	1994
	monitoring	20,000	yearly
Liberty County	No projects planned at this time	0	
Lincoln County	methane monitoring wells	20,000	Spring
	financial assurances	unknown	1995
	.		Spring
			1995
Park County	methane monitoring wells	20,000	Oct 1994
Phillips County	X=new building for recycling	65,000	1996-99
Pondera County	monitoring wells	4,500	Fall 1994
Powder River County	No projects planned at this time	0	
Powell County	retention pond for water run-off, recontouring land topog	35,000	April 1995
Richland County	close old site/open new	225,000	May 1995
Roosevelt County	retention ponds at old site	150,000	Nov 1994
	X=new Class II and Class III sites	25,000	Nov 1994
Rosebud County	close old site/open new	1,205,000	1995
	monitoring	20,000	yearly
Sheridan County	need to update plans: operational, closure/post-closure, monitoring, financial assurances	100,000	Mid 1996

Silver Bow County	X=compost area	200,000	1996
Sweet Grass County	No projects planned at this time	0	
Toole County	Unknown	0	
Valley County	waste screening, update operational plan, methane monitoring	70,000	Dec 1994
Yellowstone County	storm water retention ponds	800,000	Mid 1995
	X=repair infrastructure at site	200,000	FY 1995-96
TOTAL		5,661,000	

Montana has a crisis on its hands. Its citizens need safe roads and bridges, working airports and rail transportation, and reliable bus systems. The health of Montanans must be protected with water supply systems, wastewater treatment and disposal systems, solid waste facilities, and hazardous waste facilities that meet State and Federal public health and safety standards. The county jails must be brought up to constitutional standards in order to protect the general public from real or perceived dangerous or irresponsible persons who may pose a threat to society, as well as to protect the rights of the prisoners. Without a reform of the current system and access to needed funds, the infrastructure will continue to deteriorate.

SUMMARY OF ECONOMIC DEVELOPMENT NEEDS

During the past twenty-two years, there have been ten separate reviews and studies of Montana's economic position by various public agencies and private-sector consultants.

In 1970, the Bureau of Business and Economic Research of the University of Montana completed the *Montana Economic Study*. Samuel Chase, Jr. and the other authors of the study concluded that Montana was unlikely to regain its relatively prosperous economic position and was likely to fall even further behind. The authors cautioned, "We do not believe that a permanent order of priorities--a grand design--can or should be established with respect to state actions to remedy the situation." Instead a continuous, orderly process allowing Montanans to consider facts and express their preferences in light of changing economic realities was recommended. The report avoided making specific recommendations on how to address the challenge of low economic growth, but called for tax reform, governmental reorganization, and consolidation.

In August of 1976, Governor Thomas Judge presented the *Montana Governor's Policy Initiatives* as the representative areas upon which he anticipated the executive branch would focus its primary attention during the 1977-79 policy cycle. Specific policy and programmatic initiatives covered General Government, Community Affairs, The Economy and the Environment, Education, Human Services, Public Safety and Protection, and Transportation. The ultimate goal of the plan was to *create job opportunities at a rate sufficient to provide employment for all Montanans by identifying areas suitable for increased economic growth and*

activity, taking into consideration the existing economic base, availability of materials and energy, labor market factors, transportation, existing market demand, and pollution-control requirements.

The *Montana Economic Development Project*, co-sponsored by the state government and the Montana International Trade Commission, began working to identify and analyze new economic development opportunities for Montana in the spring of 1982. By January of 1983, a strategic plan for economic growth was produced with the help of McKinsey and Co. The plan, while never put into final form and published, was used as a framework in 1987 by the Governor's Council on economic Development in the development of "The Next Century: Strategies for Advancing Montana's Economy." The final summary draft of the 1983 McKinsey and Co. report contained detailed reviews of Montana's economic performance, an assessment of Montana's economic development assets and liabilities, and twenty-two specific recommendations to promote growth, including the Ambassadors business recruitment effort, more support for tourism promotion, increased investments in infrastructure, the formation of a science and technology committee, and a comprehensive tax study.

During he period between 1983 and 1988, several of the recommendations of the 1983 work were acted upon, with many more initiatives directed to sector-specific task forces or industries for further study. Published works during this period included the proceedings of a July 1986 *Conference on Montana's Economic Future* featuring Dr. David Birch; papers presented to a *Conference on Taxation and the Montana Economy* in September of 1986; and the *Report of the Economic Transition Task Force to the Governor* in November of 1986. On March 22, 1987, the *Great Falls Tribune* published a *Special Edition Insert* with the results of a survey of Montana leaders which recommended a list of individuals most likely to lead Montana through the economic transition. This insert also contained a series of essays by Montana leaders and academics who voices opinions about particular government policies.

In December of 1988, the Montana Ambassadors (a private organization of business and university leaders) published *Partnership for Progress*, a report which summarized the opinions of the Ambassadors' membership on the Montana economy, analyzed the economy and its problems, and made a number of recommendations related to tax reform, education, capital availability, workers' compensation reform, and other key development issues.

Also in December of 1988, the Governor's Council on Economic Development presented *The Next Century: Strategies for Advancing Montana's Economy*. The report drew upon previous work of McKinsey and Co., David Birch, and other expert advisory groups. According to Stanley Nicholson, "The hallmark of the report was the diagnosis that Montana now has two economies, the traditional resource-based sector that is declining and the new small business sector that is advancing."[2] The report recommended five strategies as crucial to Montana's economic future:

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[2] *Ibid.*

- Investing in the Workforce
- Encouraging and Supporting Entrepreneurship and Business Innovation
- Building and Mainta ing Physical Infrastructure
- Strengthening Loc Government Fiscal Capacity
- Strengthening Sta Fiscal Capacity

Additionally, the report presented fifteen specific "tactics" to nurture economic development at the state and local levels and called for a review of the tax system.

The May 1990 *New Directions* report commissioned by the Montana State AFL-CIO and prepared by the Corporation for Enterprise Development, a private consulting firm in North Carolina, presented another agenda for organizing Montana's human and natural resources to build a "first-rate state economy." The report recommended national leadership in programs for retraining older workers and for building foreign-language and cultural education into the curricula of schools and universities. The authors also criticized the tax breaks enacted in the 1980s to spur business development as largely ineffective. and recommended that some of those be reversed to help pay for the under-funded regular government programs and for their program recommendations.[3]

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[3] *Ibid.*

ELIGIBLE ACTIVITIES FOR HOME, CDBG, AND ESG

HOME

The following types of assistance will generally be available to all applicants:

- Housing Rehabilitation - Homeowner Units
- Housing Rehabilitation - Rental Units
- New Construction - Homeowner Units
- New Construction - Rental Units
- Acquisition of Property - First-time Homebuyer, rental housing, new construction
- Selective Eligible Activities (Site Improvements, Demolition, Acquisition of Land)
- Transitional Housing
- Tenant-based Rental Assistance
- Other activities related to development of non-luxury housing, with prior approval of HUD.

CDBG

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974, Section 105(a), as amended through October 28, 1992. These eligible activities pertaining to the housing and public facilities categories are summarized in Appendix C.3.

METHOD OF DISTRIBUTING FUNDS

For HOME, 15 percent of total funds set aside for Community Housing Development Organizations (CHDOs). LGAD has been working closely with organizations who are interested in becoming certified as CHDOs, and has certified 16 to date. Only CHDOs and local units of government (e.g., cities, towns, and counties) are eligible to apply for HOME grant funds.

For CDBG public facilities funding, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

HOME and CDBG Public Facility grant funds are both awarded in a competitive application process. Historic trends have demonstrated that distribution of funds is equitably spread around the state, as both programs have limitations to the degree than any one entity can administer one or more types of projects.

EMERGENCY SHELTER GRANT PROGRAM

Only Human Resource Development Councils are eligible for formula grants, with submission of proper documentation.

RANKING CRITERIA NARRATIVE

The purpose of the ranking criteria is to help evaluate a proposal and compare it to other applications for funding. The criteria provide the applicant an opportunity to discuss how the planning process was completed, how housing needs were identified, explain how citizen participation activities worked into the planning and assessment process, and demonstrate the ability and capacity of the applicant to implement the project and manage it properly.

HOME ranking criteria consist of five categories. Each of the criteria represent a different element of the process and each is ranked according to the point system established for the HOME application ranking process. The point system has been discussed in at least 25 public hearings in various communities around Montana. The ranking questions are asked to enable the application ranking team to make a complete assessment of the proposed project, and to rank one proposal against the other to determine which ones will be funded. There is not enough money to fund all proposals; it is necessary to rank one application against the other to determine who will be funded based on the criteria. HOME Program staff do not have the time or resources to complete on-site reviews of HOME proposals, so the applicant must communicate to the reviewer, through the application, the process used to determine housing needs and propose sound solutions to those needs.

Prior to addressing the individual application questions, the applicant is asked to present an overall narrative describing the proposed program. The summary narrative should not exceed two pages in length. The narrative will enable the ranking team to gain an immediate understanding of the overall scope of the HOME proposal, including the key elements of the program. In addition, the narrative should provide information on how the program will be implemented and managed to achieve timely start-up, and to insure the maximum impact on housing for the targeted population.

HOME RANKING

HOME applications will be evaluated according to the following criteria. Each application may be assigned up to a maximum of 600 points, based on the following ranking criteria:

A.	Planning Process:	100 Points
B.	Housing Needs:	150 Points
C.	Community Efforts:	75 Points
D.	Implementation Strategy:	200 Points
E.	Project Management:	75 Points
TOTAL POSSIBLE POINTS:		600 Points

CDBG HOUSING: RANKING

CDBG Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1.	Project Planning and Selection	100 Points
2.	Need	150 Points
3.	Community Efforts	100 Points
4.	Project Strategy and Impact	200 Points
5.	Benefit to Low and Moderate Income	150 Points
6.	Project Implementation and Management	100 Points
	TOTAL POSSIBLE POINTS:	800 Points

CDBG PUBLIC FACILITY: RANKING

CDBG public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1.	Project Planning and Selection	75 Points
2.	Need for Project	150 Points
3.	Technical Review	100 Points
4.	Community Efforts and Readiness	100 Points
5.	Need for Financial Assistance	150 Points
6.	Benefit to Low and Moderate Income	150 Points
7.	Project Implementation and Management	75 Points
TOTAL POSSIBLE POINTS:		800 Points

Additionally, special attention is paid to the need for financial assistance. The following narrative summarizes the evaluation criteria used for item 5, above, during the 1994 application and evaluation cycle.

The evaluation process was conducted using three competitive ranking indicators (expressed as questions) which judge the relative financial need among all applicants for all types of projects, an analysis of whether or not applicants have capacity to support additional debt for the project for which program assistance is requested (plus a listing of local matching funds for each applicant), and supporting measures of the comparative levels of combined water and

wastewater rates versus target rates for all applicants, and individual systems rates as a percent of target rates for water or wastewater system applicants. These are discussed below.

Competitive Ranking Indicators

The competitive ranking process is organized around three General Questions with analysis conducted under each of the questions. Indicator 1 was assigned 33 percent of the total weight among indicators for the programs. Indicator 2 was assigned 50 percent of the weight and Indicator 3 was assigned 17 percent weight. The following discussion on each indicator includes its calculation, use, and any qualifications or limitations to its use.

Indicator 1) What is the relative economic condition of households within each of the applicant jurisdictions?

Computation: This indicator is constituted by a ranking of data for each applicant in relation to the dollar level of Median Household Income (MHI), influences by the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI), and the percent of persons at or below the level designated as poverty. The MHI level receives double the weight of LMI and poverty percentages because MHI already considers some effect of persons in the jurisdiction living at or below LMI and poverty levels. To give equal weight to all three factors would cause an overweighting of the percent of LMI and poverty persons versus the mix of household incomes (high, moderate, and low) that results in a representative median.

Use: The indicator measures the relative level of household incomes among applicants - thereby providing a comparative measure of ability to pay for infrastructure and public services. Influencing the MHI ranking with the percent of persons existing at or below the levels of LMI and poverty, provides a means of identifying concentrations of a jurisdiction's population that have a relatively greater inability to pay for public services. Use of this indicator helps assure that program award decisions take into account pockets of low and very low income persons that will be extraordinarily burdened by increasing public utility rates.

Qualifications or Limitations: It is important to note that this measure is somewhat duplicative of ratios described below (the affordability index includes charges and taxes as a percent of MHI) which already include low income considerations within the measure of MHI, and is somewhat duplicative internally because LMI and poverty status are partially covered in the MHI measure. Use of the indicator gives significant weight to comparative economic hardship among households and persons.

Indicator 2) What is the comparative total user charges and property taxes as a percent of Median Household Income among applicant jurisdictions?

Computation: This measure is constituted by the "The Affordability Index" which is expressed as a formula in the following manner:

$$\frac{\text{Total User Charges}^{*} + (\text{Total Mill Levy}^{**} \times \text{Avg Res Value}^{***})}{\text{MHI}^{****}}$$

* Data provided by applicants including the amount of increase if the proposed improvement project is implemented.

** Total city, county, and education mills as applies to each jurisdiction calculated to the most specific degree possible based on available data from the Montana Tax Foundation and school district data.

*** Average appraised residential value based on county data as calculated by the MT Dept. of Revenue as of November 1993.

**** Using U.S. Census data provided with application guidelines for cities and counties, and calculated for districts using more detailed U.S. Census data.

Use: The affordability index provides a comparison among applicants of the total costs of local government, including infrastructure, education, and general services, measured against applicants' median household income (the standard relative measure of household economic well-being or ability to pay).

Qualifications or Limitations: The affordability index is the best common measurement among applicants of all jurisdiction types and the range of eligible projects. For that reason, it was given the greatest weight among the three ranking measures. The indicator presents difficult data collection challenge because of the wide variations in taxation practices and authority among cities, counties, and districts. The computation relies on available data, some types of which provide more detail by applicant type than others. In that regard, the weakest link in the data chain is the average appraised value of residential parcels, which was based on information prepared by the Department of Revenue for the Governor's Taxation Advisory Council in November, 1993, and is available only at the county level. The possible result of using this data set is a disparity in the appraised value used in the ranking analysis versus actual appraised values for towns, districts, or other places within any particular county.

Indicator 3) How will financial need among applicants be impacted as a result of grant award decisions?

Computation: The following formula and assumptions are expressive of the analysis:

$$\frac{\text{Monthly Debt Service per Customer if Grant Request Becomes a Loan}}{\text{MHI}}$$

Loan amount: = amount of grant request
Loan terms: 20 years, 6.0 percent, 10% reserve and 125% rate coverage for enterprise system projects; 0% reserve and 0% rate coverage for general obligation system projects
Number of Customers: *For enterprise system projects* = # of residential households divided by .8 (assumes that residential households pay 80% of total charges); *For general obligation systems* = # of residential households divided by .41 (assumes, based on a calculated statewide average, that residences and farmsteads pay 41% of property taxes.)
MHI: From U.S. Census tables for cities and counties and as computed for Indicator 1 (above) for districts

The indicator provides a comparative ranking of the impact that would be felt by households in the applicant jurisdiction if the jurisdiction borrowed funds to implement the proposed project instead of receiving a grant in the amount requested. The measure results in a calculation of the increased monthly amount of taxes or charges that would be levied on individual households to pay costs of debt service, divided by the MHI for the applicant jurisdiction. (Dividing the monthly rate or tax increase by MHI provides a measure of households' ability to pay the increase.)

Use: This indicator is designed to be the best project-oriented common denominator to measure changes in financial need resulting from program award decisions. Use of this indicator is based on the conclusion that, if it is relevant to competitively measure the relative economic condition of households in an applicant jurisdiction (Indicator 1), and the relative amount of local government costs as a percent of MHI (Indicator 2), then it is relevant to measure changes that will occur in the financial need situation as a result of decisions regarding grant awards. The measure is expressed as a percent of MHI (x 100) to reflect the burden of increased costs in terms of households' ability to pay.

Qualifications of Limitations: Use of the measure requires the assumption that applicants would borrow funds if the grant request was rejected - this may or may not be the case and will overstate the benefit for applicants that would not do the project without grant funds, and for those that would utilize other sources not disclosed in the application. Also, the indicator relies on three relatively simple variables (the amount of the grant request, the number of households in the applicant jurisdiction, and the MHI of the applicant jurisdiction) to determine relative

scores. On that basis, jurisdictions that have smaller populations, greater economic burden per household, and which request greater grant amounts are favored by the indicator.

Debt Capacity and Gap Analysis

Debt capacity analysis was conducted based on the assumption that grants should be awarded in amounts above the level of financing that can reasonably be supported by debt. In that regard, this indicator is intended to assist program staff in deciding whether an award is justified (in spite of, or in support of, an applicant's score in the competitive ranking process) and the appropriate amount of an award. Two types of debt capacity analysis were utilized: Debt per Household Analysis and Target Rate Analysis.

Debt per Household Analysis

A computation of remaining debt capacity based on Debt per Household Analysis was done for all applicants according the following questions, assumptions, and formulas:

• What is total debt per household compared to the allowable maximum? (Maximums of $2,250 per household were used for water and wastewater systems and $1,000 per household for general obligation systems (based on an extrapolation of Moody's medians for county debt). No calculation was made, because no maximums were available, for enterprise systems other than water and wastewater.

The following formula was used to compare current debt with the allowable maximum:

Allowable Max per household	-	Current Debt per household	=	Remaining Allowable Debt per household

• What debt capacity remains for the system based on debt per customer? The following calculation applies:

Remaining Allowable Debt per Household x Number of Households = Remaining Debt Capacity (Remaining capacity was adjusted downward to account for a 10 percent debt reserve amount applicable to enterprise systems. No debt reserve was assumed to be applicable to general obligation systems.)

Target Rate Analysis: Target rate analysis is relevant only to local government systems for which information can be obtained in regard to costs distributed among users, such as is the case with user rates for water and wastewater systems. A computation of remaining debt capacity based on Target Rate Analysis was done for all applicants according the following questions, assumptions, and formulas:

• The following example systems were utilized to build statewide average target rates for improved water and wastewater systems.

IMPROVED WATER SYSTEMS

Small Systems:	Large Systems:	
	Helena	$38.18 per month
	Bozeman	$25.91 per month
	Billings	$26.76 per month
	Kalispell	$20.28 per month
Small Systems Average	Great Falls	$22.93 per month
Based on FmHA	Butte-Silver Bow	$42.48 per month

Target= $25.00 per month	AVERAGE	$29.42 per month

Small and Large System Average = $27.00 (rounded to the nearest $.50)
Target Water Rate = $27.00 x 12/$22,988 (Statewide MHI) = 1.41% of MHI

IMPROVED WASTEWATER SYSTEMS

SMALL SYSTEMS:		LARGE SYSTEMS:	
Jackson	$ 8.50 per month	Kalispell	$19.05 per month
Hobson	$11.00 per month	Helena	$ 9.84 per month
Fort Benton	$21.50 per month	Bozeman	$11.41 per month
Wolf Point	$ 8.63 per month	Billings	$11.19 per month
Evergreen	$36.00 per month	Great Falls	$13.24 per month
Somers	$42.00 per month	Butte-Silver Bow	$ 7.50 per month
AVERAGE*	$19.28 per month	AVERAGE	$12.04 per month

*Calculated excluding the highest and lowest rates

Small and Large System Average = $15.50 (rounded to the nearest $.50)
Target Wastewater Rate = $15.50 x 12/$22,988 (Statewide MHI) = .81% of MHI

Note that in the case of improved wastewater systems, that small system average is much greater than the average for large systems. It is expected that is data for small improved water systems was available, the same pattern would become apparent. Because of the limited amount of data available, such widely divergent averages were not deemed to be justified as the basis for target rate analysis. Also, rates for small systems appear to be much more volatile than rates for large systems. This suggests that other factors besides system size are influential on rate patterns. Therefore, a differentiation was not established between target rates for large versus small systems. Based on the data displayed above, and Montana's statewide Median Household Income level of $22,988, statistically justifiable target rates for systems of all sizes can be set at 1.41 percent of MHI for water systems and .81 percent of MHI for wastewater systems.

• What is the user rate versus a target rate calculated using 1.41 percent of MHI for water systems and .81 percent of MHI for wastewater systems? The following calculation applies:

Target Rate per household	-	Current Rate per household	=	Rate Payment Capacity per household

• What debt capacity remains for enterprise systems based on user rates compared to targets? The following calculation applies:

Rate Payment Capacity per Household x Number of HH x 12 = Annual Payment Capacity

• The following loan terms are applied to Annual Payment Capacity to determine the amount of improvements that could be financed:

Loan terms: 20 years, 6.0 percent, 10% reserve and 125% rate coverage

Average Debt Capacity: The average of debt capacity conclusions formed by the two types of analysis was also calculated. In all cases, debt capacity after implementation of an applicant's project was calculated because many applicants plan to borrow funds to implement their projects, thereby affecting their remaining debt service capacity.

Gap Analysis: After having calculated debt capacity, there remains the task of applying it to determinations of gap financing needs. Unfortunately, debt capacity analysis which is possible for this cycle is subject to some weaknesses which limit its utility for such determinations. First, it must be kept in mind that accurately calculating debt capacity is a complex process that relies on the availability of very accurate and thorough knowledge of an applicant's financial situation. The data available for the 1994-95 evaluation process related to current entity debt, number of customers and number of households served by utilities, revenue levels, and other factors, is not sufficiently thorough, uniform, or accurate to be the basis for reliable calculations of specific debt capacity amounts. Consequently, while an amount of debt service capacity can be calculated based on debt per household, target rate analysis and the average of those two measures, these amounts were used only to justify a conclusion that, if the calculated debt capacity amount turns out to be zero or negative, then no debt capacity exists. The data should not justify a conclusion regarding a specific amount of debt capacity.

The method of utilizing the results of specific debt capacity calculations for gap analysis would be to subtract the amount of remaining debt capacity from the amount of the grant request. The remainder would constitute the recommended grant award. But, because the amount of grant awards available from the three programs is quite limited, a relatively small margin between current debt per household and the maximum allowable debt per household, or between current rates and target rates, can account for the full amount of a grant request. In other words, if an applicant has remaining debt capacity, the amount of that capacity is likely greater than the amount of the applicant's grant request.

Three conclusions can be drawn from the evaluation described above: 1) A determination that no debt capacity is available can justify awarding the full amount of grant requests to applicants which demonstrate comparatively greater financial need through the competitive ranking process, provided that sufficient funds are available from within the programs to fully finance all applicants which enjoy those results; 2) If insufficient funds are available to finance all applicants which have comparatively greater financial need and have no debt capacity, grant award decisions can be made based on relative degrees hardship among applicants, using either measures of current need or changes that will occur if the subject project is implemented, and 3) If insufficient funds are available to finance all applicants which have comparatively greater financial need and have no debt capacity, programs have the option of recommending policy changes that would lessen the maximum grant funds available per successful applicant. thereby stretching limited program resources to reach more projects.

Matching Funds and Cash Availability

Data supplied by applicants was reviewed to determine if the amount of matching funds and available cash reserves could be used in the competitive ranking process or in gap financing analysis. It was concluded that the manner by which applicants determined and listed cash availability was sufficiently inconsistent that use of this data is not recommended for financing decisions. A listing of cash reserves as reported by applicants was provided in the analysis as an informational item for program staff.

Also, there were inconsistencies in the manner in which applicants classified local match and other funds to be applied to their projects. A listing of matching funds amounts as stated by applicants is included in the evaluation of request to assist program staff in determining if the applicant is eligible for an award based on the program's minimum matching requirements.

Additional Analysis: Water and Wastewater Systems Data

Because water and wastewater financing applications were by far the most numerous of applicant types, because water and wastewater rates make up a very significant portion of overall governmental costs for all jurisdictions,

and because such systems are coming under increasing pressure to make improvements as a result of stringent environmental laws, combined water and wastewater system rate analysis was utilized as an indicator for all applicants for program funds, regardless of the type of improvement that is the subject of a financing request. Also, additional analysis was conducted for individual water and wastewater system applications. Following are the elements of analysis included for water and wastewater systems:

Analysis of Combined Water and Wastewater Charges for All Applicants versus Combined Target Rates: The analysis of combined water and wastewater rates was used as a secondary measure (after competitive ranking scores and conclusions regarding debt capacity) to assist in making award recommendations *for all applicants*. The computation of combined user charges for water and wastewater systems was carried out assuming receipt of all uncommitted funds as identified by applicants as a percent of the combined target percentages of MHI (2.22 percent) for the two systems.

(Program staff and other reviewers should be aware that there is some inconsistency in measuring rate *projections* for water and wastewater applicants and *current* rates for other applicants. However, rate *projections* are needed to get a fair picture of what the future will be like for a jurisdiction that is facing an improvement project for a water or wastewater system. Current water and wastewater rates were used for non-water and wastewater applicants assuming that, because a water or wastewater project was not a subject of the application, no project is likely to be implemented and therefore, rates for those systems will not change in the near future. Rate projections *including receipt of all uncommitted funds* for water and wastewater applicants were used because there is much greater likelihood for inconsistencies among data submitted by applicants assuming uncommitted funds are received.)

Target Rate Analysis for Water and Wastewater Applicants: This analysis was conducted to provide additional "tie-breaker" information related to water and wastewater system applicants. It entailed a ranking of user charges versus target rates (1.41 percent of MHI for water systems; .81 percent of MHI for wastewater systems) for individual water or wastewater system applicants (with and without uncommitted funds as identified by applicants).

Debt per Household Analysis for Water and Wastewater Applicants: This analysis was also conducted to provide additional "tie-breaker" information related to water and wastewater system applicants. It entailed a ranking of debt per household as a percent of MHI for individual applicants for water and wastewater system awards with and without uncommitted funds as identified by applicants).

CDBG ECONOMIC DEVELOPMENT: RANKING

The CDBG Economic Development projects are based on a project's individual merit, being compared to a set of threshold requirements. These threshold requirements are applicable to full applications for CDBG economic development assistance. They are as follows.

- The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed $20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.

- In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.

- Projects which are determined by the Department to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons does not have to meet the cost per job or hiring and training requirements. It is strongly recommended that area-wide benefit projects meet these requirements. Applicants must contact the Department for a determination of whether a project qualifies as an area-wide benefit activity.

- Where CDBG funds will be expended to assist a for-profit business, the final debt/equity ratio, calculated from the projected balance sheet after all CDBG financing and all matching and other financing for the project have been received, may be no greater than 5:1. The Debt/Equity Ratio shall be calculated, under Generally Accepted Accounting Principles, according to the following formula:

  - Debt/Equity Ratio = (Total Liabilities - Officer Subordinated Debt) divided by (Total Net Worth - Intangibles[4] + Officer Subordinated Debt)

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants should ensure that documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

[4] "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

The Montana Emergency Shelter Program distributes funds based upon a formula allocation. The following statute governs Community Services Block Grant funds as well as funds for the Emergency Shelter Grants Program:

Montana Code Annotated, Aug. 1993

53-10-502. Allocation of federal Community Services Block Grant funds. The department shall allocate the state's share of the block grant funds as follows:
(1) The department may retain 5% for administrative costs and 5% for special projects.
(2) The balance of the block grant funds after any retention pursuant to subsection (1) must be distributed to human resource development councils that are eligible to receive such funding under 53-10-503 as follows:
(a) $500,000, or if the balance of the block grant funds is less than $500,000, then the entire balance of the block grant funds, must be equally divided among the eligible human resource development councils; and
(b) except as provided under 53-10-504(2), the balance of the block grant funds after distribution under subsections (1) and (2)(a) must be divided among eligible human resource development councils as follows:
(i) one-half based upon the population residing within the areas of human resource development councils; and
(ii) one-half based upon the low-income population, as that population may be determined under the provisions of the block grant, residing within the areas of the human resource development councils.

History: En. Sec. 2, Ch. 237, L. 1983.

The amount of funds allocated is determined on the basis of poverty and general population in each service area, relative to the poverty and general population of the entire state. Allocations of FY94 HUD ESG funds will be as follows:

1990 OVERALL AND POVERTY CENSUS DATA

AGENCY	1990 POPULATION PERCENT	1990 POVERTY PERCENT	AVERAGE PERCENT	FY 1994 ALLOCATION
AEM	11.08%	12.37%	11.73%	$30,966
DIST 4	3.33%	4.24%	3.79%	$9,996
OPP INC	14.13%	14.62%	14.38%	$37,964
DIST 6	2.77%	3.03%	2.90%	$7,659
DIST 7	18.00%	15.80%	16.90%	$44,633
RMDC	7.35%	5.25%	6.30%	$16,638
DIST 9	8.18%	8.53%	8.36%	$22,066
NWMHR	13.48%	13.59%	13.54%	$35,746
DIST 11	13.35%	13.98%	13.67%	$36,089
DIST 12	8.33%	8.59%	8.46%	$22,343
TOTAL	100.00%	100.00%	100.00%	$264,100

Funds are distributed to each Human Resource Development Council. All HRDCs will submit workplans, budgets and reports (attachments 2A, B & C) outlining which of the allowable activities will be undertaken, how matching funds will be realized and a certification of local approval verifying that budgets and workplans have been reviewed and approved by a representative of the respective jurisdiction. The Department of Social and Rehabilitation Services will execute contracts with all HRDCs within thirty (30) days of HUD approval of this application.

Actual project proposals for ESGP funds have included the renovation of a building (asbestos removal and lead abatement) in order to use it as a transitional facility. Funds are also used to provide medical services to homeless individuals and families, to pay for hotel/motel rooms for homeless individuals, to pay rent or mortgages for homeless families, and to provide support groups, individual counseling, referral, advocacy and transport to homeless persons. Shelters have used funds to pay rent or mortgages, pay utilities, buy furnishings, and pay for maintenance and operational costs of their facilities. ESGP funds are also used to pay security deposits on rent or utilities (or first month's rent) to enable homeless families to move into their own dwellings.The formula allocation follows Montana Annotated Code, pertinent to the Community Services Block Grant Program. Only Human Resource Development Councils are currently eligible for funding. This allocation is presented below.

MONTANA DEPARTMENT OF COMMERCE

HOME INVESTMENT PARTNERSHIPS PROGRAM

DRAFT FFY 1995
PROJECT
PRE-DEVELOPMENT PROPOSAL GUIDELINES
(APPLICATION GUIDELINES)

Montana Department of Commerce
Jon D. Noel, Director

Local Government Assistance Division
Newell B. Anderson, Administrator

Housing Assistance Bureau
George D. Warn, Chief

HOME Investment Partnerships Program
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November 1994

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I. BACKGROUND

The HOME Investment Partnerships Program (HOME) was established under the *National Affordable Housing Act* (NAHA) of 1990. Through the HOME Program, funds are provided to eligible states, local governments and certified Community Housing Development Organizations (CHDOs) for the purpose of developing affordable housing for persons of low and very low income. The HOME Program promotes and advances the goals of the Montana *Comprehensive Housing Affordability Strategy* (CHAS) and provides a flexible mechanism for enhancing other federal, state, local, and private resources for the development of affordable housing.

A. PURPOSE

- To provide coordinated financial assistance in the development of affordable low income housing;
- To expand the supply of safe, decent, sanitary and affordable housing for lower income Montanans;
- To strengthen the ability of local governments and other housing development entities to actively participate in community housing enhancements.

B. FEDERAL FISCAL YEAR (FFY) 1995 ALLOCATION

In Montana, the state is the primary entity eligible to receive and disperse Department of Housing and Urban Development (HUD) **HOME** funds. For FFY 95, HOME funds are allocated as follows:

Total HOME allocation:	**$ 3,217,000**
Minimum required state set-aside for CHDOs (15%):	**$ 482,550**

Note that the 15% set-aside for CHDOs is only a minimum. CHDOs will be allowed to compete equally with other eligible HOME applicants for the amount above the CHDO set-aside, as long as they are applying for CHDO-eligible ownership, sponsorship, or development activities.

C. ELIGIBLE ACTIVITIES

The following types of assistance will generally be available to all applicants:

- Housing Rehabilitation - Homeowner Units
- Housing Rehabilitation - Rental Units

- New Construction - Homeowner Units
- New Construction - Rental Units
- Acquisition of Property - First-time Homebuyer, rental housing, new construction
- Selective Eligible Activities (Site Improvements, Demolition, Acquisition of Land)
- Transitional Housing
- Tenant-based Rental Assistance
- Other activities related to development of non-luxury housing, with prior approval of HUD.

ALL APPLICATIONS MUST BE CERTIFIED TO BE IN CONFORMANCE WITH THE STATE OR LOCAL *Consolidated Plan Submission to HUD (CPS).* CONTACT THE STATE CPS COORDINATOR, 444-0096.

D. LOW INCOME AND VERY LOW INCOME PROVISIONS

The HOME Program has been conceived and is designed as a means of providing affordable housing for low income and very low income families and individuals. As such, there are two key forms of protection for low and very low income families and individuals.

1. Income Targeting. Income targeting refers to the beneficiaries of HOME assistance. The HOME Program requires that **100 percent** of all HOME funds be used to benefit low and very low income households. There are additional provisions that further target the program funds when HOME monies are used for rental housing and tenant-based rental assistance projects. Specific provisions relating to income targeting are discussed in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS**, beginning on page B.47.

2. Affordability. There are HOME Program requirements regarding the affordability of units assisted by HOME funds that apply at the time HOME assistance is provided, **and throughout an extended period of time**. The nature of these affordability requirements varies depending upon the type of project activity and the amount of HOME funds used on the project. Specific provisions related to affordability of HOME eligible activities are discussed in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS**, beginning on page B.47.

E. APPLICATION DEADLINE and CALENDAR OF EVENTS

Applications must be delivered or postmarked on or before **September 19, 1995**. Please deliver one **(1) original** and three **(3) copies** of the HOME Application to:

Montana Department of Commerce
Housing Assistance Bureau
1424 Ninth Avenue (for hand delivery or parcel delivery service)
P.O. Box 200545 (for mail delivery)
Helena, MT 59620-0545

F. SECONDARY GRANT PROCESS IF FUNDS REMAIN

If there are not sufficient applications to meet the minimum requirements to allow award of the whole FFY 95 HOME set aside for Montana of $3,217,000, or the CHDO set aside of $482,550, the remaining funds will be awarded through subsequent application invitations.

G. ELIGIBLE APPLICANTS

The following are eligible applicants for HOME funds:

- Local Governments - cities, towns and counties;
- State-certified Community Housing Development Organizations (CHDOs) for Ownership, Sponsorship and Development Activities; and
- Public Housing Authorities and Non-Profit organizations sponsored by a general unit of local government, (city or county). Non-Profit organizations must have an Internal Revenue 501(c)(3) or 501(c)(4) designation.

H. GRANT AMOUNTS

Maximum HOME grant amount:	**$ 400,000**
Administrative amount of 8 %:	**$ 32,000**
Total:	**$ 432,000**

I. MATCH REQUIREMENTS

All applicants must provide matching contributions toward the FFY 1995 HOME Program. The matching contribution requirements are as follows:

- New Construction Activities require a **15% Match.**
- Rehabilitation and all other HOME activities require a **12.5% Match.**

Match requirements are discussed further in **SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS, Part G, Match Requirements**, page B.27.

II. HOME DEFINITIONS

ADJUSTED INCOME: Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and child care. The income definitions used in the HOME program are those established in the Section 8 income guidelines, 24 CFR § 813.102 *Adjusted income is the basis for determining a tenant's monthly rental payments.*

ADMINISTRATION FUNDS: Reasonable costs of overall program management, coordination, monitoring and evaluation, as defined in 24 CFR § 92.207. Administration Funds can be requested for up to 8% of the total HOME grant application amount.

AFFORDABILITY: The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME Interim Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity.

ANNUAL (GROSS) INCOME: The HOME Program uses the income definitions used in the Section 8 Program, 24 CFR § 813.106. *Annual income is used for home owner and tenant eligibility and income targeting purposes.*

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO): A private, non-profit organization that has been certified as a CHDO by the state after meeting all the qualifications prescribed in the HOME regulations. **CHDOs** must receive at least 15 percent of a participating jurisdiction's annual allocation of HOME funds (referred to as *CHDO set aside* funds). **The CHDO set aside funds must be used for housing *ownership*, *development*, or *sponsorship* activities.** A CHDO must always **own** the project prior to the development phase of the project.

The following definitions are specific to CHDOs:

- **OWNERSHIP:** The CHDO is an *owner* when it holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a property. The CHDO may be an owner with one or more individuals, corporations, partnerships or other legal entities.

- **DEVELOPMENT:** A CHDO is a *developer* when, regardless of ownership, it has a contractual obligation to a property owner:

  1) **for rental housing:** to obtain financing, rehabilitate, construct r maintain/manage a project. If the property is not owned by the CHDO, the contractual obligation to develop the project must be between the owner and the CHDO (independent of the PJ); or

2) **for first-time homebuyer programs (where the CHDO does not have ownership of the property)**: to obtain financing, rehabilitate or construct and transfer title of the property and the HOME loan/grant obligations from the owner to a HOME qualified first-time homebuyer within a specified timeframe.

If the CHDO does not own the property but rather develops the property on behalf of an existing owner, the CHDO would be acting in the capacity of a subrecipient. **MDOC does not enter into subrecipient relationships.** An **existing homeowner** cannot "hire" a CHDO **sponsor** to complete the rehabilitation of his/her residence (e.g., select the contractor, manage the construction project, etc.). Such activity is not an eligible CHDO set-aside activity.

- **SPONSORSHIP:** A CHDO is a *sponsor* when:

1) **for HOME-assisted rental housing**: the CHDO develops a project that it owns, in whole or in part, and agrees to convey ownership to a **second non-profit** organization at a predetermined time. The non-profit must be **financially and legally separate** from the CHDO sponsor. The second non-profit may have been created by the CHDO, but it is nevertheless a separate entity from the CHDO.

   The HOME funds are invested in the project owned by the CHDO prior to transfer of the property. Prior to the commitment of HOME funds, the CHDO sponsor must identify the non-profit organization to whom the property will be transferred. **The second non-profit will assume all HOME obligations** (including repayment of loans and tenant and rent targeting requirements) for the project from the CHDO at a specified time. If the property is not transferred to the non-profit organization, the CHDO sponsor will remain liable for the HOME obligations. The CHDO must provide sufficient resources to the non-profit organization to ensure the development and long-term operation of the project.

2) **For a HOME-assisted First-Time Homebuyers program**. The CHDO owns and develops a property and transfers title and the HOME loan/grant obligations and resale requirements to a HOME-qualified, first-time homebuyer, within a specified timeframe. **The CHDO must own the property at the time the HOME funds are invested**. The CHDO sponsor can use the funds for acquisition of property and new construction of a housing unit or the acquisition and rehabilitation of an existing housing unit. At completion of the rehabilitation or construction, the CHDO is required to sell (transfer) the property, along with the HOME loan/grant obligations, to a qualified first-time homebuyer.

   This sponsorship role could include a lease-purchase approach whereby the CHDO sponsor would lease the property to a first-time homebuyer for a period not to exceed two years. At the expiration of the lease, the CHDO must sell or

transfer the property along with the HOME loan/grant obligations to the first-time homebuyer. If the property is not transferred, the CHDO retains ownership, and all HOME rental requirements apply.

- **COMMUNITY LAND TRUSTS (CLTs)**: A CLT is a community housing development organization (CHDO) that:

  - is not sponsored by a for-profit organization;

  - is established, and undertakes activities to:

    1) acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases;
    2) transfer ownership of any structural improvements located on such leased parcels to the lessees; and
    3) retain a preemptive option to purchase any such structural improvement at a price determined by a formula that is designed to ensure that the improvement remains affordable to low and moderate income families in perpetuity.

  - has a corporate membership open to any adult resident of a particular geographic area specified in the bylaws of the organization;

  - has a board of directors whose membership includes a majority of members who are elected by the corporate membership and is composed of equal numbers of lessees, corporate members who are not lessees, and any other category of persons described in the bylaws of the organization; and

  - is not required to have a demonstrated capacity for carrying out HOME activities or a history of serving the local community within which HOME-assisted housing is to be located.

  HOME funds may be made available to CLTs for organizational support, technical assistance, education and training, and continuing support. In addition, community groups are eligible to receive assistance for the establishment of CLTs.

CONVERSION: Changing the use of an existing non-residential structure to affordable housing. This is counted as rehabilitation unless the conversion entails adding one or more units beyond the existing walls, in which case the project is new construction.

HARD COST: The actual cost of constructing or rehabilitating housing. These costs include the following: new construction, rehabilitation, acquisition costs, and demolition costs (when done in association with an eligible project activity).

HOME ASSISTED UNIT: Any housing unit assisted with HOME funds. Thus *rent, occupancy, and/or resale restrictions apply.*

HOME FUNDS: HOME funds include all appropriations for the HOME Program, plus all repayments and interest from returns on the investment of these funds.

HOME INVESTMENT TRUST: The term given to the <u>two accounts</u> that *hold* the state recipient's funds - one at the local level and one at the state level. The federal HOME Investment Trust Account is the U.S. Treasury account for the participating jurisdiction. The local HOME Investment Trust account includes not only the initial HOME funds, but also repayments of HOME funds, matching contributions and payment of interest or other returns on investment.

LEVERAGE: Additional resources, **over and above the *match threshold*** requirement, that are combined with HOME dollars to enhance the HOME Program.

LOW INCOME FAMILY: A family whose annual income does not exceed 80 percent of the median income for the area (adjusted for family size). HUD may establish income ceilings higher or lower than 80 percent of median income for an area, on an exception basis.

LOW INCOME NEIGHBORHOOD: A neighborhood where at least 51 percent of the households are at or below 80 percent of the median income for the area.

MATCH: Each applicant must make contributions to affordable housing assisted with HOME funds throughout a fiscal year. For Montana applicants in the FFY 95 grant competition, the match contribution must total not less than:

> **15%** of the non-administrative grant funds requested in that fiscal year **for new construction projects**; and
>
> **12.5%** of the non-administrative grant funds requested in that fiscal year for housing projects that do not constitute new construction (i.e., tenant-based rental assistance, housing rehabilitation projects, and acquisition projects). A description of eligible and ineligible forms of matching contributions can be found in **SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS, Part G, Match Requirements**, page B.27.

MODERATE REHABILITATION: Any rehabilitation of residential property at an average total development cost equal to or less than $25,000 per unit.

NEW CONSTRUCTION: Any project for which commitment of HOME funds is made within one year of the date of initial certificate of occupancy. Any project that includes the

creation of additional dwelling units outside the existing walls of a structure is also considered new construction.

PARTICIPATING JURISDICTION: Any state or local government that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program, and obtains approval by HUD of a *Comprehensive Housing Affordability Strategy* (CHAS).

PROGRAM: The local government or CHDO HOME grant proposal, as set forth in their HOME grant application. A program may include one or several HOME-eligible activities.

PROJECT: The site of an entire building or two or more buildings, together with the site or sites on which the building or buildings is/are located, that are under common ownership, management and financing; and are to be assisted with HOME funds, under commitment by the owner, as a single undertaking. If there is more than one site associated with the activity, the sites must be within a four-block area. Eligible HOME project activities include Tenant-Based Rental Assistance, Assistance to First-Time Home Buyers, Property Acquisition, New Construction, Reconstruction, Moderate and Substantial Rehabilitation, Site Improvements, Demolition, Relocation, and other activities (with prior HUD approval) that are related to development of non-luxury housing. A local government or CHDO project may include one or more activities.

SOFT COST: Reasonable and necessary costs incurred by the owner or grantee and associated with the financing or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. **Eligible** soft costs include:

1) Finance related costs.
   - Origination fees
   - Credit reports
   - Title reports and updates
   - Recordation fees
   - Preparation and filing legal documents
   - Appraisal
   - Attorney's fees
   - Loan processing fees
   - Other customary fees
   - Developers fees

2. <u>Construction related costs</u>.
   - Architectural fees
   - Engineering fees
   - Preparation of work write-ups/cost estimates
   - Builders and developers fees

3. <u>Project audit costs</u>.

4. <u>Affirmative marketing and fair housing costs</u> (e.g., information services such as affirmative marketing and fair housing pamphlets for prospective homeowners and tenants).

5. <u>Cost of funding an initial operating reserve (for new construction or substantial rehabilitation</u>). This reserve shall be designed to meet any shortfall in project income during the period of rent-up (not to exceed 18 months). Reserve funds may only be used to pay operating expenses, reserve for replacement payments, and debt service. Any HOME funds placed in an operating reserve that remain unexpended when the reserve terminates must be returned to MDOC.

6. <u>Relocation costs</u>.

7. <u>Costs related to tenant-based rental assistance</u>.

STATE RECIPIENT: Any unit of local government designated by a state to receive HOME funds. The state is responsible for ensuring that HOME funds allocated to State Recipients are used in accordance with HOME regulations and other applicable laws.

SUBRECIPIENT: A public agency or non-profit organization selected by a participating jurisdiction to administer all or a portion of the participating jurisdiction's HOME Program. A public agency or non-profit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.

SUBSTANTIAL REHABILITATION: Rehabilitation of residential property at an average total development cost per unit greater than $25,000 per dwelling unit.

TARGETING: HOME Program requirements relating to the income or other characteristics of households that may occupy HOME-assisted units.

VERY LOW INCOME: Families whose incomes (when adjusted for family size) do not exceed 50 percent of the median income for the area. HUD may establish income ceilings higher or lower than 50 percent of median income for an area, on an exception basis.

III. FISCAL YEAR 1995 GRANT FUNDS AVAILABILITY AND APPLICATION DEADLINE

A. DISTRIBUTION OF 1995 FUNDS

Montana's FFY 1995 HOME allocation is **$3,217,000**. MDOC will contribute **50%** of the matching funds required for the FFY 95 HOME Program. These MDOC funds will be added to the total grant funds and used for eligible HOME activities.

1. Funds Available for the 1995 State HOME Program. Montana's FFY 1995 HOME allocation will be distributed as follows:

	Admin Funds	Grant Funds	**Total Funds**
Montana Department of Commerce:	$126.663		**$126,663**
CHDO *minimum* set-aside:	$ 37,152	$464,400	**$501,552**
State Recipient *maximum*:	$182,937	$2,405,848	**$2,508,785**
Total federal funds available:			**$3,217,000**

2. Match Liability.

Total Match Liability for Montana: **$696,600**

Minimum local government/
CHDO match requirement (@ 12.5%): $343,657

3. Reallocation of Funds. If any applicant who has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked grant request are available, the funds may be reallocated at the discretion of the Director of MDOC, in a manner consistent with these *HOME Application Guidelines*, so as to best achieve the purposes of the Montana HOME Program.

   Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including project income that has been returned to the state, may be reallocated at the discretion of the Director, in a manner consistent with the current adopted *HOME Application Guidelines*.

B. GRANT CEILINGS

The total amount of HOME funds requested by an applicant at any one time must not exceed $400,000, plus an additional amount for administration costs up to 8% of the HOME grant request, for a **maximum request of $432,000**.

The total amount of HOME funds requested by a **joint applicant** at any one time must not exceed $400,000, plus up to $32,000 for administrative costs, for a **maximum request of $432,000.** Both of the joint applicant organizations use up their eligibility when submitting a joint application, and each is thereby ineligible to apply for another HOME grant during the same grant competition.

Applicants should request only the level of funding necessary to carry out their program. Grant requests must be sufficient either by themselves, or in combination with other proposed funding sources, to complete the proposed activities within the contract period. The *contract period* is normally 24 months from the date of the announcement of grant award by MDOC (excluding the timeframe required for monitoring affordability). While grant ceilings establish the maximum amounts that may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

There are no minimum amounts required for HOME requests. A community considering a relatively small grant request should consider whether the proposed activities would result in questionably high administrative costs relative to the total program cost.

Applicants are encouraged to contact MDOC to discuss their proposed affordable housing activity prior to submittal of the application.

C. GRANT ADMINISTRATION FUNDS

Grant administration funds may be requested by a general unit of local government, or a Community Housing Development Organization (CHDO), in an amount up to 8% of the total grant request. **The administration portion of grant funds do not carry a match obligation.** For example, if an applicant requested the maximum amount of $400,000 in HOME grant funds, that same organization could request an additional $32,000 to pay for eligible administration expenses to manage the program, for a total grant request of $432,000. The $400,000 of HOME grant funds would have to be matched by the applicant in an amount of 12.5% ($50,000) for any eligible HOME activity. An additional discussion of match requirements appears in

SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS, Part G, Match Requirements, page B.27.

D. APPLICATION DEADLINE

Applications must be delivered or postmarked on or before **September 19, 1995**. Please deliver one **(1) original** and three **(3) copies** of the HOME Application to:

Montana Department of Commerce
Housing Assistance Bureau
1424 Ninth Avenue (for hand delivery or parcel delivery service)
P.O. Box 200545 (for mail delivery)
Helena, MT 59620-0545

If there are insufficient applications to allocate the whole FFY 95 HOME set aside for Montana of $3,217,000, or the minimum CHDO 15% set-aside of $482,550, the remaining funds will be awarded through subsequent application invitations. The system of threshold and ranking criteria described in these *HOME Application Guidelines* will be applied to all applications for FFY 95 HOME Funds.

The HOME application form packet is attached as APPENDIX B.9, **which is included as a separate, unbound document**. The application form is also available on *computer diskette*, upon request. **APPENDIX B.9** includes instructions on how to request and use the computerized application form.

IV. GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS

To be eligible for an award of HOME funds, applicants must comply with the following general requirements. Local officials having concerns or questions regarding these requirements should contact the HOME staff at the MDOC Housing Assistance Bureau for guidance, as early as possible in the process of preparing an application.

A. ELIGIBLE APPLICANTS

Eligible applicants are limited to units of general purpose local governments (counties, incorporated cities and towns, consolidated city-county governments), and *Community Housing Development Organizations* (CHDOs) certified by MDOC.

1. Counties. **Counties** may apply to use HOME grant funds for activities proposed to resolve housing problems in the unincorporated jurisdiction of a county. A county may apply for a housing project that will include activities within the jurisdiction of an incorporated city or town if the proposed project is intended to benefit all county residents, including those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

   In order to improve cost-effectiveness for project administration, a county may apply for a grant to fund a project that would assist two or more separate unincorporated communities, as long as the grant request is under the established ceiling. If considering such a project, the applicant county would want to ensure that the communities involved have an equally high level of need; and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities. If not, the entire application could be less competitive.

2. Municipalities. **Municipalities** may apply to use HOME grant funds for projects proposed to resolve problems within the jurisdiction of an incorporated city or town. A municipality may apply for a project located outside the city's jurisdiction if it can provide adequate assurances that the project area will be annexed within the contract period for the HOME program activities.

3. Joint Applicants. In situations where two or more eligible local governments face a common housing problem. a **joint application** may be submitted under the following conditions:

   a. the problem to be address lies in an area of contiguous jurisdiction or, in the case of two unincorporated communities, is located within the same county;

b. the solution to the common problem clearly requires cooperative action and the most efficient strategy;

c. the joint application is not eligible for the minimum CHDO 15% set-aside funds; and

d. the total amount of the HOME project funds requested by a joint applicant at any time does not exceed $400,000.

In submitting a joint application, both applicants use their eligibility status and are ineligible to apply for another HOME grant during the same grant competition. The eligible applicants involved must meet the threshold requirements for all applicants. **One local government must be designated as the *lead applicant* and must accept full responsibility for application submission and for administrative, regulatory, and financial management during the term of the HOME project**, should the applicant be awarded funds

4. Community Housing Development Organizations (CHDOs). CHDOs that are certified by the MDOC can apply for HOME grant funds to be used on eligible ***development***, ***ownership***, **and** ***sponsorship*** housing projects within their jurisdiction. **CHDOs must submit a letter from the unit(s) of local government for the political jurisdictions in which the HOME activities are proposed.** This letter must state that the local government is aware of the proposed CHDO housing project, and that the project is consistent with local comprehensive plans and zoning ordinances. (Letters from a county would only be necessary for activities proposed in unincorporated areas). This letter requirement is intended to encourage local coordination on housing activities. CHDOs are required to hold public hearings on proposed HOME Projects, as are local governments.

5. Public Housing Authorities/Non-Profit Organizations. Public Housing Authorities and Non-Profit Organizations may manage HOME Programs and own HOME assisted property. The ownership arrangement must comply with all applicable federal and state requirements. Non-Profit Organizations must have an Internal Revenue Service 501(c)(3) or 501(c)(4) non-profit designation. The application must be sponsored and officially submitted by a general unit of local government. If the non-profit is not a state certified CHDO, a copy of its Articles of Incorporation and By-laws must be provided as an Appendix to the application.

B. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT

1. Each eligible applicant **may submit only one application** to the FFY 95 HOME grant competition to be received **September 19, 1995. In the event that all available 1995 HOME funds are not awarded through the HOME grant competition, MDOC**

reserves the right to periodically invite applications for grant funds until available funds have been awarded.

2. For purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions: one, the city jurisdiction; and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation. Applications for city and county jurisdictions must conform to the requirements for municipal and county applications as set forth in **SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS, Part A, Eligible Applicants**, page B.21.

3. A grantee who is currently administering a HOME project will be eligible to reapply for an additional HOME grant if:

   a. the grantee is in compliance with the project implementation schedule contained in its HOME contract with MDOC;

   b. there are no unresolved audit, monitoring, or performance findings for any previous HOME grant awards to the applicant; and

   c. **75%** of the previous HOME grant has been drawn down by the application deadline date.

4. This application process, combined with the grant competition, will insure the statutory requirement of geographic distribution of HOME funds.

C. CITIZEN PARTICIPATION

Applicants must provide citizens adequate notice and opportunity for meaningful involvement in the planning and development of HOME applications. **At a minimum, the applicant must hold one public hearing before submission of the application**. Public hearings may be conducted either as part of a regularly scheduled meeting of the governing body, or as hearings convened especially for HOME purposes.

A record of any hearings must be submitted with the application for HOME funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the public hearing is to inform citizens about the HOME project, the amount of funds available, how they may be used, the range of activities eligible for funding, and other general project requirements. The purpose of the public hearing is also to solicit public

comment on community housing needs and priorities. In considering the housing needs of low and very low income persons, the governing body is encouraged to consider the needs of households that may be especially needy, such as those who are most likely to have lower incomes (i.e., female heads of households or minority, elderly or disabled persons). The purpose of the public hearing is also to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's HOME application before it is submitted. The issues that should be considered include the proposed project location, activities, and budget. **The public hearing must be held not more than two months prior to the date of application.**

Formal public notice must be provided before public hearings are held [see sample format, **APPENDIX B.2,** *Sample Format for Public Notices*]. Where possible, notice should also be directed to those who will benefit from or be affected by HOME activities (i.e., persons of low and very low income, individuals and/or groups representing low and very low income persons, etc.). **Hearings must be held at times and locations convenient to potential beneficiaries and with accommodations for the handicapped.**

Suggestions for Applicants

Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens who may be affected by a HOME project but who might not be reached through formal newspaper notices of the hearings. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be concentrated in any geographic area that may be affected by a proposed HOME project. The hearings should be scheduled at times and locations that will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public, such as radio announcements, mailed notices, and posters.)

D. PROJECT ACTIVITIES ELIGIBLE FOR HOME FUNDS

Projects may consist of one or more activities. The activities eligible for funding under Montana's HOME Program are limited to those set out by Congress in the *Cranston-Gonzalez National Affordable Housing Act of 1990* and subsequent amendments, and the approved State of Montana HOME Program Description for Fiscal Year 1995 (see **APPENDIX B.1**).

The following describes activities that may be included in local HOME program applications.

1. HOME funds may be used to provide incentives to develop and support *affordable* rental and homeowner housing through the following activities:

- acquisition (including assistance to first-time homebuyers);
- new construction;
- reconstruction, or moderate or substantial rehabilitation of non-luxury housing, including real property acquisition, site improvement, conversion, and demolition;
- to provide tenant-based rental assistance, including security deposits;
- other housing-related expenses, including financing costs and relocation expenses of any displaced persons, families, businesses, or organizations;
- to provide payment for reasonable administrative and planning costs; and
- to provide payment of operating expenses of Community Housing Development Organizations (CHDOs).

The housing must be permanent or transitional housing, and may include permanent housing for disabled homeless persons and single-room occupancy housing (SROs). The specific eligible costs for these activities are set forth in 24 CFR § 92.206.

2. Acquisition of vacant land or demolition may be undertaken only with respect to a particular housing project that will be used to provide affordable housing.

3. Housing that has been issued an initial certificate of occupancy or equivalent document within a one-year period before HOME funds are committed to the project is considered *new construction.*

4. Conversion of an existing structure from a nonresidential use to a residential use for the purposes of providing affordable housing is an eligible activity and is considered *rehabilitation*, unless the conversion entails adding one or more units beyond the existing walls, in which case the project is considered *new construction.*

E. PROJECT ACTIVITIES INELIGIBLE FOR HOME FUNDS

Home funds <u>may not be used</u> for the following activities:

1. to provide a project reserve account for replacements, or a project reserve account for unanticipated increases in operating costs or operating subsidies;

2. to provide tenant-based rental assistance for the special purposes of the existing Section 8 program, including the activities specified in 24 CFR § 791.403(b)(1); or to prevent

displacement from projects assisted with rental rehabilitation grants under part 511 of the *Code of Federal Regulations*;

3. to provide nonfederal matching contributions required under any other federal program;

4. to provide assistance authorized under 24 CFR part 965 (PHA-Owned or Leased Projects, Maintenance and Operation);

5. to carry out activities authorized under 24 CFR part 968 (Public Housing Modernization);

6. to provide assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages);

7. to provide assistance (other than tenant-based rental assistance or assistance to a first-time homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by MDOC under 24 CFR § 92.252 or 92.254. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount; and

If you have questions regarding the eligibility of, or special requirements that may apply to, a particular activity under consideration in your community, contact the HOME Program staff (under the MDOC Housing Assistance Bureau) at 406-444-0092 for guidance. You may also reference **APPENDIX B.1**, *HOME Program Description*.

F. MIXED USE/MIXED INCOME PROJECTS

To qualify for use of HOME funds, a project must meet the requirements of affordable housing for residential use by low and very low income persons. Projects classified as *mixed income* or *mixed use* may be eligible HOME activities if they meet certain criteria.

1. Mixed Income Projects. The term *mixed-income* refers to a project that includes rental tenants or homeowners who meet HOME income limits, as well as residents who exceed these limits. For example, a HOME project activity might include new construction or rehabilitation of 10 single family rental units, with HOME funds used to assist only 5 of the 10 structures. The HOME income, rental, and affordability criteria (discussed in detail in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS**, beginning on page B.47) would apply only to the 5 structures assisted with HOME funds.

   While the HOME Program permits development of mixed-income projects, HOME funds may only be used for assisting the housing units owned or rented by low and very-low income tenants and homeowners. Housing units in the project that are not assisted with HOME funds may accommodate higher income tenants or owners. **The application**

must include a letter <u>certifying</u> the project as mixed-income and verifying that HOME-assisted units will meet HOME income, rental, and affordability criteria. This certification can be accomplished with a letter or document signed by the applicant's chief elected or designated official.

2. <u>Mixed-Use Projects</u>. The term "mixed-use" refers to housing in a project that is designed in part for uses other than residential uses (referred to in some cases as common areas). A project that contains, in addition to the dwelling units, laundry and community facilities for the exclusive use of the project residents and their guests, does not constitute a project that is designed in part for uses other than residential use.

   For example, if only 5 of the 10 dwelling units were assisted with HOME funds, then only 50 percent of the total cost of rehabilitating a day room would be eligible for HOME funding assistance.

   The application must include documentation *certifying* the project as mixed-use <u>and</u> *certifying* that it will meet the applicable HOME criteria. This certification can be accomplished with a letter or similar document signed by the applicant's chief elected official. The certifications can be combined in one letter if mixed-income criteria also apply.

G. MATCH REQUIREMENTS

1. <u>Amount of Matching Contribution</u>. Each applicant must make a matching contribution to affordable housing assisted with HOME funds throughout a fiscal year. The amount of match required by the federal government is 25 percent for all HOME eligible projects.

   MDOC will contribute 50% of the funds needed for match for the FFY 1995 HOME Program. The MDOC funds will qualify as match for FFY 1995. Therefore, HOME applicant match obligations for FFY 1995 will be reduced by 50% to fifteen percent (15%) of non-administrative funds requested.

   The above amounts are *minimum threshold* requirements for match. If the appropriate match requirements are not <u>clearly supported with documentation</u>, your application will not be ranked.

   HOME funds used for eligible **administrative and operating fund expenses do not have to be matched, <u>and</u> they do not qualify as matching contributions.** For example, if an applicant requested $400,000 in HOME grant funds and the full allowable 8% ($32,000) for administration funds, for a total grant request of $432,000, only the $400,000 of housing activity funds would carry a match obligation.

The amount of matching contribution required will depend upon the types of HOME project activities planned. For example, a project consisting of one structure that will involve both rehabilitation and new construction activities (i.e., rehabilitating the existing units in the building and adding one or more units outside existing walls of the structure) would be considered a *new construction* project for purposes of match requirements, irrespective of the costs attributable to each separate activity.

For purposes of project type designation, projects involving the following activities are designated as *rehabilitation* projects:

- activities completed to bring the structure up to applicable housing standards or to correct substandard conditions;
- reconfiguring a structure to reduce the number of total units in order to increase the number of large family units;
- adding one or more rooms (e.g., bedroom or bathroom) outside of the existing walls for purposes of meeting occupancy or code standards; and
- adding one or more units within the existing structure, such as in an existing basement.

2. Recognition of matching contribution. A contribution is recognized as a matching contribution only if: it is made with respect to a tenant who is assisted with HOME funds; or it is made with respect to housing that is assisted with HOME funds, and it:

- is made with respect to housing that qualifies as affordable housing under 24 CFR §§ 92.252 or 92.254; or
- is made with respect to any portion of a project (including a mixed-use project) in which not less than 50% of the dwelling units qualify as affordable housing.

In addition, a cash contribution is recognized as a matching contribution only if it is used for costs eligible under 24 CFR §§ 92.206 or 92.301; or for the following costs that are not eligible costs for HOME funds: a project reserve account for replacements, or a project reserve account for unanticipated increases in operating costs, operating subsidies, or costs relating to that portion of a mixed-income or mixed-use project that is not related to affordable housing units.

3. Form of matching contribution. To be eligible as match for purposes of HOME, matching contributions must be from nonfederal resources. Match may be in the form of one or more of the following:

- A cash contribution by non-federal public entities, private entities, or individuals. The cash contribution may be program income from a federal grant earned after the end of the award period if no federal requirements govern the disposition of that program income. Included in this category are repayments from closed out grants under the Urban Development Action Grant Program, the Housing Development Grant Program, or the Rental Rehabilitation Grant Program once all fiscal year Rental Rehabilitation grants have been closed out.

- The grant equivalent of a *below-market interest rate* on a project loan that is not repayable to the HOME Investment Trust Fund.

    - If the loan is made from funds borrowed by a public agency or corporation, the amount of the contribution is the *present discounted cash value* of the difference between payments to be made on the borrowed funds and payments to be received from the loan to the project, based on a discount rate equal to the interest rate on the borrowed funds.

    - If the loan is made from funds other than funds borrowed by a public agency or corporation, the amount of the contribution is the *present discounted cash value* of the yield foregone. In determining the yield foregone, MDOC must use one of the following as a measure of a market rate yield, as applicable:

        1) with respect to a one- to four-unit housing structure financed with a fixed interest rate mortgage, a rate equal to the 10-year *Treasury Note* rate plus 200 basis points;
        2) with respect to a one- to four-unit housing structure financed with an adjustable interest rate mortgage, a rate equal to the one-year *Treasury Bill* rate plus 250 basis points; or
        3) with respect to a multifamily housing structure, a rate equal to the 10-year *Treasury Note* rate plus 300 basis points.

- The value (based on customary and reasonable means for establishing value) of state or local taxes, fees, or other charges that are normally and customarily imposed or charged by the PJ or local government on all transactions or projects in the conduct of state or local government operations but are waived, foregone, or deferred (including state low-income housing tax credits) in a manner that achieves affordability of housing assisted with HOME funds. Fees or charges that are associated with the HOME Program only (rather than normally and

customarily imposed or charged on all transactions or projects) are not eligible forms of matching contributions. The amount of any real estate taxes may be based on post-improvement property value, using customary and reasonable means of establishing value. For taxes, fees, or charges that are given for future years, the value is the present discounted cash value, based on a rate equal to the rate for the Treasury security with a maturity closest to the number of years for which the taxes, fees, or charges are waived, foregone, or deferred.

- The value, before the HOME assistance is provided and minus any debt burden, lien, or other encumbrance, of land or other real property not acquired with federal resources, as appraised in conformance with established and generally recognized appraisal practice and procedures in common use by professional appraisers. Opinions of value must be based on the best available data, properly analyzed and interpreted. The appraisal of land and structures must be performed by an independent, certified appraiser.

- The cost of investment, not made with federal resources, in on-site and off-site infrastructure that the PJ documents as directly required for affordable housing assisted with HOME funds. The infrastructure investment must have been completed no earlier than 12 months before HOME funds are committed to such affordable housing.

- The reasonable value of any site-preparation and construction materials not acquired with federal resources, and any donated or voluntary labor in connection with the site-preparation for, or construction or rehabilitation of, affordable housing.

    - The value of site-preparation and construction materials is to be determined in accordance with the PJ's cost estimate procedures.

    - A single rate will be applicable for determining the value of *donated or voluntary labor*. The rate is currently at $10.00 per hour.

4. <u>Ineligible forms of match.</u> The following are examples of forms of contribution that do not count toward meeting an applicant's match requirement:

- contributions made with or derived from federal resources or funds, *regardless of when the federal resources or funds were received or expended*. CDBG funds are federal funds for this purpose;

- the interest rate subsidy attributable to the federal tax-exemption on financing or the value attributable to federal tax credits;

- owner equity or investment in a project;
- sweat equity; and
- cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts; or investors who own, are working on, or are proposing to apply for, assistance for a HOME-assisted project.

If you have any questions concerning eligible forms of match, please contact the HOME staff at (406)-444-0092.

H. PUBLIC OR PRIVATE SECTOR COMMITMENTS

If other public or private sector resources are to be involved in a proposed HOME project, the **applicant will be ranked according to the level of commitment documented in the application.** Such commitments may be **binding**, contingent only upon the award of HOME funds for the project.

In documenting a public sector commitment, the applicant should specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body that specifies the approximate amount of the commitment. Funds or resources from a state or federal agency must be documented by a letter of commitment from the agency involved. The commitment of funds or resources may be made contingent upon the award of HOME funds for the project.

In documenting a private sector commitment, the private party should specify the amount of the commitment and use of the funds. The commitment must be documented by a letter of commitment on the letterhead of the private participant. The commitment of resources may be made contingent upon the award of HOME funds for the project. If any portion of the project is to be self-financed, the **private participating party must provide evidence of its financial capability through a corporate or personal financial statement or through other appropriate means.**

<u>Within six months of the date of the announcement of the tentative grant award by MDOC</u>, applicants requiring non-HOME sources, in addition to HOME funds, for implementation of the proposed HOME project must have completed all necessary arrangements to assure that those resources are available for commitment to and participation in the project. This is required in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time. the tentative award will be withdrawn and the funds reallocated.

No HOME funds will be released to grant recipients until all commitments for all other resources (financial and otherwise), as stated in the application are available to complete

the project. No MDOC program administration funds may be obligated prior to execution of a contract between MDOC and the applicant.

I. PROGRAM INCOME FROM HOME ACTIVITIES

Program income is any income earned from HOME supported activities such as repayments of principal and interest from loans for housing rehabilitation. If authorized by MDOC, program income may be retained at the local level to be used for housing activities eligible under the HOME program. **CHDOs are not allowed to retain HOME program income. Program income generated as a result of CHDO activities must be returned to the MDOC HOME Investment Account.** MDOC and CHDOs can, however, enter into a contract for use of program income generated through HOME-assisted activities through the period of affordability. An applicant requesting to retain program income from housing activities must submit, with its application, a plan for the ongoing use and financial administration and planned use of program income. **The Program Income Plan must be approved by MDOC prior to the expenditure of any HOME funds.**

HUD regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support HOME eligible activities before the grantee can request an additional drawdown of funds from its HOME project account. The receipt and expenditure of program income must be recorded as part of the financial transactions of the HOME project. Program income funds received before grant closeout must further be treated as additional HOME funds subject to all applicable requirements governing the use of HOME funds.

If a community has previously received a HOME award for a project that has not been closed out, and receives HOME funds at a later date, program income from the earlier HOME project must be expended on activities under the new HOME program before the community can request funds from its new grant allocation.

If MDOC authorizes a HOME grantee to retain program income, any program income received after project completion and grant closeout may be utilized by the grantee for additional HOME eligible activities, according to the terms of the grant closeout agreement and the program income plan. Communities utilizing program income must maintain the following information regarding their use of those funds:

- sources of program income, including interest earned;
- dates and amounts of program income deposits and disbursements; and
- a description of the activities funded with program income.

A summary of this information must be submitted with a grant application by any community that has been receiving program income from a previous HOME project. (See **Question E7** on the *Application Form*).

J. DOCUMENTATION

Each applicant should identify the source of supporting data for any statements made in the application. If local research was conducted to support the application, such as a survey of housing conditions or income levels, **the survey methodology must be described** and **a copy of the survey form with a composite summary of all responses submitted with the application.**

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. The lack of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for MDOC to re-rank an application, and if necessary, to withdraw a tentative grant award.

K. MAPS

Each application must include, when appropriate, clearly legible maps that illustrate the applicant's political jurisdiction and the proposed activity and/or project area. Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants should submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible.

1. Political Jurisdiction/Service Area Map. The map of the applicant's political jurisdiction must identify:

   - the boundaries of the entire jurisdiction;
   - the project's location within the jurisdiction; and
   - if applicable, the service area of the project.

2. Project Area Map. The map of the proposed project area must identify:

   - the boundaries of the project area;
   - the locations of all proposed activities, such as land to be acquired and blocks where housing will be rehabilitated or newly constructed; and
   - the boundaries of any 100-year floodplain adopted by the Federal Emergency Management Agency.

   Applications for HOME grants must include a map depicting the location of all housing units to be assisted with HOME funds within the project area, as well as the locations of structures to be demolished or areas where clearance activities will occur.

All project activities must take place within the project area boundaries of the applicant's political jurisdiction, unless specifically authorized by MDOC.

Census block maps identifying the census boundaries within each county may be purchased from the Census and Economic Information Center, Montana Department of Commerce, PO Box 200501, Helena, Montana 59620-0501, (406) 444-2896. There is a $4.00 fee for each map ordered.

Maps of Montana's counties, cities and towns can also be ordered from the Montana Department of Highways, Planning and Statistics Bureau, 2701 Prospect Avenue, PO Box 201001, Helena, Montana 59620-1001, (406) 444-6119.

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Flood Plain Management Section (Karl Christians), 1520 East Sixth Avenue, PO Box 202301, Helena. Montana 59620-2301, (406) 444-6654.

L. CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed HOME program, if selected for funding. (The major federal requirements that require certification for compliance are included in the FFY 95 HOME application.) A copy of the *Certifications for Application*, signed by the chief elected official or executive officer of the applicant and dated within six months prior to the date of application, must accompany the application for HOME funds. This *Certifications for Application* form is included as part of the HOME Application packet.

Applicants should carefully review the requirements outlined in the *Certifications for Application*, and consider their potential impact when designing their HOME program. These laws cover a wide range of issues including environmental impacts, labor standards, employment practices, financial management, and civil rights, many of which can have an affect on the costs or complexity of project administration.

M. RESOLUTION TO AUTHORIZE APPLICATION

Each application for HOME funds must be accompanied by a copy of the resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application. The resolution or motion shall:

- authorize the submission of the application;

- state the applicant's willingness to abide by the federal requirements described in the HOME Certifications for Application; and

- authorize the applicant's chief executive officer to act on its behalf in regard to the application, and to provide such additional information as may be required.

A sample format for this resolution is included as part of the HOME Application packet.

MDOC will assume the applicant has determined its own legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. MDOC may request additional information from the applicant if it is aware of any evidence to the contrary.

N. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan that, at a minimum:

1. addresses the applicant's plans for assuring proper management of the HOME program, including financial management of grant funds, compliance with state and federal requirements, and effective and timely start-up and completion of project activities;

2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for persons who will be hired) and any contracted services to be utilized in carrying out the project;

3. includes a **quarterly schedule** for program implementation that identifies the **timeframes** for major activities and expenditures, and the coordination of non-HOME resources for the project;

4. addresses potential environmental concerns; and

5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available. The applicant must **demonstrate adequate pre-planning** to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the program.

To be awarded a grant under the HOME Program, an applicant must have the management capacity to undertake and satisfactorily complete the program it is proposing within 24 months of grant award.

In all cases, the applicant must assume direct responsibility for proper financial management of the awarded HOME funds.

O. ENVIRONMENTAL IMPACT

All HOME projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts of any development assisted with federal funds or approved by a state agency. In addition, HOME requirements are substantially the same as those for the Rental Rehabilitation Program, except that new construction and substantial rehabilitation projects may require substantially more detail. HOME projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their HOME programs are first being considered and planned, in order to avoid problems that could delay or even prevent a project from being implemented. **HUD will not allow CHDOs to complete an environmental review. CHDOs will have to ask their local governments to be the lead organization to complete an environmental review for a CHDO-sponsored project.**

The Certifications for Application included in the FFY 1995 HOME application contains a listing of the major federal environmental statutes and regulations that will apply to all HOME funded projects. In addition, a form entitled *Checklist of Environmental Considerations for HOME Applications* is available from MDOC to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed HOME program or about the environmental requirements that apply to their proposed program should contact MDOC for guidance in advance of submitting their application for HOME funds.

P. DISPLACEMENT/RELOCATION

HOME projects are subject to relocation requirements under the *Uniform Relocation Act* (URA). **URA requirements are triggered whenever displacement occurs as a direct result of rehabilitation, demolition, acquisition, or other activities of a HOME-assisted project**. If CDBG funds are used as part of the funding for the HOME project, Section 104(d) requirements (also known as the *Barney Frank Amendment*) may be triggered. In addition, Section 104(d) requirements may also be triggered when displacement occurs as a result of demolition or conversion (rehabilitation or change of use) for a HOME project funded in part with CDBG funds, even if the CDBG funds are limited to soft costs such as inspections or work write-ups. In essence, the HOME and CDBG requirements under the URA are the same.

1. Program Design Considerations for HOME Program Applicants. Understanding how relocation requirements are triggered, alternate ways of meeting those requirements, and the costs of these alternatives is essential in making HOME program decisions.

    a. Relocation considerations in project selection. Concerns about relocation may cause a HOME applicant to consider establishing a preference for vacant buildings. However, applicants should also consider that:

(1) Vacant buildings are often very deteriorated. Rehabilitating an occupied building, even with the cost of assisting tenants to remain or to relocate, may be less costly than rehabilitating a vacant building.

(2) Selecting vacant project sites does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, MDOC must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are still considered *displaced persons* with regard to URA requirements.

(3) In occupied buildings, MDOC must consider whether occupants will be able to return after rehabilitation, whether Section 8 or HOME tenant-based assistance is available to avoid displacement, and whether Section 8 assistance is available to help meet relocation costs.

(4) Under the provisions of the *Barney Frank* Amendment, buildings demolished that previously served as low-income housing must be replaced on a one-for-one basis. This includes vacant, but rehabable, low-income dwelling units.

b. Need for skilled relocation staff. Failure to understand and follow relocation requirements can result in unnecessary costs for the HOME State Recipient or CHDO. For example, **failure to issue proper written notices at the submission date of the owner's application or on the date of an executed agreement could result in the legal obligation to make relocation payments to persons who did not need to relocate because they could have been offered the opportunity to remain in the project.** The amount of these payments could be excessive, since the State Recipient wouldn't have had the opportunity to set a cost limit by offering a comparable replacement unit.

It is possible for uninformed owners and staff to take steps that would obligate the State Recipient or CHDO to provide significant relocation benefits and services. **Early briefings for owners and program staff on relocation rules are essential**.

2. Relocation Reference Material and Resources available to HOME applicants and grantees include the following:

a. Handbook 1378. *Tenant Assistance, Relocation and Real Property Acquisition.* This Handbook consolidates relocation requirements for HOME and other HUD programs into one document. Its appendices include guide forms for the various notices.

b. HUD informational booklets for persons who are displaced or whose property is to be acquired are available from HUD field offices.

c. Relocation Specialists in all HUD Regional Offices and some Field Offices are available to answer questions regarding displacement and relocation issues.

d. MDOC HOME Program staff.

Communities planning HOME projects that may involve displacement of local residents or businesses should contact MDOC for guidance on the federal requirements that will apply, prior to submitting their HOME application.

Q. YEAR-AROUND OCCUPANCY

Housing units in which HOME grant funds are invested must be intended for year-around occupancy by low and very low income families.

R. PERIOD OF AFFORDABILITY

The term *affordability*, as used in the HOME Program, relates to the cost of housing both at initial occupancy and over established timeframes. Affordability requirements vary depending on the type of HOME activity (rental assistance or homeownership assistance):

- For *new construction or acquisition of newly constructed of rental housing*, the minimum period of affordability is **20 years.**

- For *rehabilitation or acquisition of rental housing or for the acquisition of housing under a First-Time Homebuyer Program,* the period of affordability depends upon the amount of HOME funds invested:

  - if an average of under $15,000 of HOME funds is spent per unit, the minimum period of affordability is **5 years**;

  - if an average of $15,000 to $40,000 of HOME funds is spent per unit, the minimum period of affordability is **10 years**;

  - if an average of over $40,000 of HOME funds is spent per unit, the minimum period of affordability is **15 years.**

- For *projects financed with a mortgage insured by HUD* (including multifamily housing), the minimum period of affordability is **the term of the HUD-insured mortgage**.

- There is **no period of affordability** attached to *Tenant-Based Rental Assistance*. This assistance can be provided for up to two years. Affordability is ensured by limiting the maximum subsidy to the applicable **fair market rent**.

HOME affordability restrictions terminate upon occurrence of any of the following events: foreclosure; transfer in lieu of foreclosure; or assignment of an FHA-insured mortgage to HUD. Affordability is discussed further in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS**, beginning on page B.47.

S. MOBILE HOMES

HOME funds can be used in a number of ways to assist manufactured homes. Most of the eligible activities discussed in 24 CFR § 92.205, paragraphs(a) through (c), apply to manufactured homes, except new construction. New construction is not an eligible activity with regard to a manufactured home because a manufactured home is a unit constructed at the factory and transported to the site. Some eligible activities include:

- providing incentives to develop and support affordable rental housing and home ownership;
- acquisition (of land for a homesite or a manufactured home unit);
- assistance to First-Time homebuyers;
- moderate or substantial rehabilitation;
- replacement of a manufactured home unit; and
- rental assistance.

Eligible activities involving a manufactured home must meet <u>four important conditions.</u> These conditions are:

- the manufactured home must be situated on, and anchored to, a site-built permanent foundation (except when assisting existing unit owners who rent the lot on which their unit sits);

- the manufactured home must accommodate, and be connected to, utility hook-ups;

- the manufactured home (if produced after June 15, 1976) must meet the construction standards of 24 CFR § 3280; and

- the acquisition or rehabilitation of the manufactured home must meet the appraised value standards as established in 24 CFR § 92.254 (a)(1)(i) and (ii).

Applicants with questions concerning a manufactured home as an eligible property under the HOME Program should contact MDOC for further guidance.

T. SPECIAL NEEDS

Permanent housing for disabled homeless persons, group or transitional housing, and single-room occupancy (SRO) housing are included as eligible project activities in the Montana HOME Program. Some distinguishing characteristics of such housing units are discussed below.

Permanent housing for disabled homeless persons, group or transitional housing and single-room occupancy housing are included as eligible project activities in the Montana HOME Program. Some distinguishing characteristics are discussed below.

1. Group housing is housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the units, and (except in the case of shared one bedroom units) separate private space for each family. It also includes group housing for elderly or disabled persons. These structures are usually large single-family units that are being used for this purpose. Grantees may choose to consider the housing unit as a single unit for HOME assistance purposes or, depending upon their size, choose to classify them as single room occupancy (SRO) units. Supportive services may be provided to the clients of the group homes; but these are not HOME eligible costs.

   A group home is considered a one-unit project. A one unit project consists of separate bedrooms, which may be shared, and shared kitchen, dining, sanitary and/or other common area facilities. All occupants of single unit HOME-assisted projects, except supportive service providers, must be low-income.

   The entire project is considered a single unit for determination of the maximum HOME subsidy limit. The subsidy limit is based on the number of bedrooms in the unit. For example, a three-bedroom group housing project would be eligible for the applicable amount shown in **APPENDIX B.3**. Bedrooms occupied by resident supportive service providers are counted as eligible bedrooms for subsidy purposes.

   Depending on the size of the project, grantees may wish to meet the standards for a single room occupancy project by the installation of either or both sanitary or food preparation facilities. Doing this would create individual units, thereby increasing the number of units that may be assisted with HOME funds.

2. Single room occupancy (SRO) housing is housing consisting of single room dwelling units that are the primary residence of its occupant or occupants. The definition was revised to require the unit to contain either food preparation or sanitary facilities (it may contain both) only if the project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure, neither food preparation nor sanitary facilities are now required to be in the unit. If the units do not contain sanitary facilities, the building must contain

sanitary facilities that are shared by tenants. SRO's do not include facilities for students. All occupants of HOME-assisted units must be low-income. Rents and income targeting are discussed later in the chapter.

The maximum per-unit subsidy limits are the limits for zero-bedroom units as shown in **APPENDIX B.3**. The maximum subsidy is calculated on the basis of the number of HOME-assisted units in the structure(s) times the allowable per-unit subsidy amount. However, in no event may the maximum subsidy exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost. Common area rehabilitation costs may be covered in the same proportion or percentage as HOME-assisted units are a part of the project. For example, if five out of ten units in the structure(s) are HOME-assisted, HOME funds may be used to cover one-half the common area rehabilitation costs.

3. Transitional housing means housing that is designed to provide housing and appropriate supportive services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children. In addition, the purpose of allowing transitional housing as an eligible activity under the HOME program was to facilitate the movement of individuals and families to independent living within one month to two years.

   Depending on the size of the project, applicants may wish to meet the standards for a single room occupancy project by means of installing either or both sanitary or food preparation facilities. Doing this would create individual units, thereby increasing the number of units that may be assisted with HOME funds.

4. Elder Cottage Housing Opportunity (ECHO) housing units are small, free-standing, barrier-free, energy-efficient, removable units designed to be installed adjacent to existing single-family dwellings.

U. BUDGET

Each applicant must submit a proposed budget that is sufficient to insure effective administration and timely project completion. Budget forms are included as part of each HOME application packet. Guidance on budgeting is available from MDOC.

The budget must be accompanied by a narrative describing each element of the proposed HOME project activity and related administrative costs. This must include a breakdown of total project costs that identifies sources and amounts of all non-HOME funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative.

The budget will be ranked under the *Program Management* section of the application form, where the applicant is asked for a budget justification. This space is provided to allow the applicant to offer further information regarding the budget, including the status of non-HOME sources of funds, when such funds will be available, and how these funds will be coordinated with HOME funds.

HOME funds may be used to pay for a variety of eligible costs categorized as development hard costs, acquisition costs, related soft costs, relocation costs, costs related to tenant-based rental assistance, and administrative and planning costs. Eligible HOME costs can be referenced in the *Federal Register*, 24 CFR Part 92, Subpart 92.206, *Eligible costs*. (See **APPENDIX B.8**, 24 CFR Part 92, Interim Rule, April 16, 1994, for additional clarification on eligible costs). HOME funds may be used to pay the following eligible costs:

1. <u>Development hard costs</u> are the actual costs of constructing or rehabilitating housing. These costs include:

   - for **new construction**, costs to meet the applicable new construction standards of the state and local area and the Model Energy Code.

   - for **rehabilitation**:

     - costs to meet the applicable rehabilitation standards of the state and local area, or to correct substandard conditions and meet, as a minimum, Section 8 Housing Quality Standards;

     - costs to make essential improvements, including energy related repairs or improvements;

     - costs for improvements necessary to permit use of the dwelling unit by handicapped persons;

     - costs associated with the abatement of lead-based paint hazards;

     - costs to repair or replace major housing systems in danger of failure; and

     - to refinance existing debt secured by a single-family owner-occupied unit when **loaning** HOME funds to rehabilitate the unit, if the overall housing costs of the borrower will be reduced and made more affordable (contact MDOC prior if you are considering this option).

   - for both **new construction and rehabilitation**:

- costs to demolish existing structures and for improvements to the project site that are in keeping with improvements of surrounding, standard projects, and costs to make utility connections;

2. Acquisition costs are the costs of acquiring improved or unimproved real property. **Acquisition of vacant land or demolition** must be undertaken only with respect to a particular housing project intended to provide affordable housing, and for which funds for construction have been committed.

3. Related soft costs are other reasonable and necessary costs incurred by the owner or the grantee associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:

- architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;

- costs to process and settle the financing for a project, such as:

    - private lender origination fees;
    - credit reports;
    - fees for title evidence;
    - fees for recording and filing of legal documents;
    - building permits;
    - attorney's fees;
    - private appraisal fees;
    - fees for an independent cost estimate; and
    - builder's or developer's fees.

- costs of a project audit that MDOC may require with respect to the development of the project;

- for new construction and substantial rehabilitation:

    - the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay operating expenses, reserve for replacement payments, and debt service;

    - any HOME funds placed in an operating deficit reserve that remain unexpended when the reserve terminates must be returned to the MDOC HOME Investment Trust Fund Account.

- Staff and overhead costs directly related to carrying out the project, such as work specifications, preparations, loan processing inspections, and other services related to assisting potential owners, tenants, homebuyers may be charged to project cots if the project is funded and the individual becomes the owner or tenant of the HOME assisted project; and

- costs for payment of impact fees that are charged for all projects within a jurisdiction.

4. Relocation costs include relocation payments and other relocation assistance for permanently and temporarily relocated individuals and families, businesses, nonprofit organizations, and farm operations where assistance is required under the provisions of CFR 24 and staff and overhead costs related to providing advisory and other relocation services to persons displaced by the project

5. Costs related to tenant-based rental assistance are the rental assistance payments made to provide tenant-based rental assistance for an individual or family.

6. Administrative costs are reasonable administrative and planning costs. These costs cannot exceed 8% of the HOME project funds requested. Administrative costs include:

   - General management, oversight and coordination costs. Reasonable costs of overall program management, coordination, monitoring and evaluation including:

     - Salaries, wages and related costs of the Grantee's staff, ravel costs incurred for official business in carrying out the program;

     - travel costs incurred for official business in carrying out the program;

     - administrative services performed under third party contracts or agreements including such services as general legal services, accounting services and audit services;

     - other costs for goods and services required for the administration of the program; and

     - costs of administering tenant based rental assistance program.

   - Staff and overhead costs directly related to carrying out the project. These costs may be charged as administrative costs or as project costs.

- Costs incurred in the provision of information and other resources to residents and citizen organizations participating in the planning, implementation or assessment if projects assisted with HOME funds

- Costs associated with activities that affirmatively further fair housing

- Indirect costs may be charged to the HOME program under a cost allocation plan prepared in accordance with OMB Circular s A-87 or A-122 as applicable.

7. Operating expenses are eligible costs in an amount up to 8% of the total HOME grant, for FFY 1995. These funds can be used for the operation of a Community Housing Development Organization (CHDO). Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; and equipment, materials and supplies. A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent of the CHDO's total operating expenses in that fiscal year, or $50,000, whichever is greater.

Reimbursement of any or all costs incurred is contingent on the completion of an *Environmental Review Record*, the issuance of a *Release of Funds* by MDOC, and the execution of a grant agreement between MDOC and the grant recipient after all special conditions of the contract have been met. In the event a grant agreement is not executed or the applicant is unable to comply with the terms and conditions of the agreement, any costs incurred will be the responsibility of the applicant.

Suggestions for Applicants

Applicants should be especially careful to see that all potential costs for carrying out the project have been identified prior to submitting the application. Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of program proposed;
- assuring compliance with state and federal requirements;
- preparation of reports;
- financial management and bookkeeping;
- legal services;
- travel for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;

- construction inspections;
- audits; and
- relocation costs.

V. SPECIAL REQUIREMENTS FOR HOME PROJECTS

The HOME program allows for several activities that are directed toward providing decent, safe, and sanitary housing for low and very low income families and for improving residential areas.

This section covers the special HOME requirements that apply to each HOME-eligible project activity. This section must be read in conjunction with **SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS** (page B.21), which describes the general requirements and policies that apply to all applications for HOME funds.

A. NEW CONSTRUCTION

New construction, as a HOME project activity, creates rental housing or first-time homebuyer (homeowner) housing. The following discussion on new construction project activities will focus on HOME requirements for new construction, site and neighborhood standards, and the lifting of previous HUD restriction concerning new construction activities. Requirements for newly constructed rental housing assisted with HOME funds are the same as those found in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS, Part C(5), Rental Rehabilitation,** beginning on page B.57.

The *Housing and Community Development Act of 1992*, effective October 28, 1992, removed the requirement that communities appeal to HUD for a special certification to allow them to undertake new construction activities. This law also eliminated the rental production set-aside, the new construction eligibility list, and the special justifications for new construction under neighborhood revitalization and special needs housing. However, site and neighborhood standards still apply to new construction activities.

Newly constructed housing units must meet applicable property standards, including Section 8 Housing Quality Standards, the latest version of the Model Energy Code, and local ordinances and building codes. When constructing 12 or more units in a project, federal labor standards including Davis-Bacon wage requirements apply.

The purchase price and appraised value of the HOME-assisted homeowner assisted property after new construction must not exceed 95% percent of the median purchase price (FHA 203(b) limits) of the area for the type of property being assisted (see **APPENDIX B.4**, *Mortgage Limits Table*).

Projects involving new construction must meet site and neighborhood standards set forth in 24 CFR § 882.708(c). The proposed site must be suitable from the standpoint of facilitating and furthering full compliance with applicable provisions of Title VI of the *Civil Rights Act of 1964*, the *Fair Housing Act*, and Executive Order 11063 (discrimination prevention). Proposed sites for new construction units must promote greater choice of housing opportunities for low and very low income persons. The purpose of these laws is to *affirmatively further fair housing.*

Proposed new construction sites must not be located in an area of minority concentration, and sites must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

There are exceptions to the minority concentrations rule from the preceding paragraph. A new construction project may be located in an area of minority concentration only if:

- sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside the areas of minority concentration; or

- the project is necessary to meet overriding housing needs that cannot otherwise be met within that housing market area.

As used above, "sufficient" opportunities does not mean that in every locality there must be an equal number of assisted units within and outside areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year, which, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for lower income minority families , and in relation to the racial mix of the locality's population.

Units may be considered "comparable opportunities" if they are designed for the same household type (elderly, handicapped, family, large family) and tenure type (owner, renter), and they:

- require approximately the same tenant contribution towards rent;
- serve the same income group;
- are located in the same housing market; and
- are in standard condition.

Application of the "sufficient, comparable opportunities" standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for lower income minority families in and outside areas of minority concentration.

Other pertinent information related to new construction projects (rental housing or single family) is provided in this chapter in **REHABILITATION** and **ACQUISITION**.

B. TENANT-BASED RENTAL ASSISTANCE

Rental assistance under the HOME program must be *tenant*-based, not *project*-based. Like the Section 8 Existing Housing Program, tenants must be free to use their assistance in any eligible unit. Tenant-based rental assistance may be provided through an assistance contract to an owner

who leases a unit to an assisted family, or directly to the family. HOME tenant-based rental assistance may be provided to:

- families selected from the Public Housing Authority's Section 8 waiting list;

- low and very low income families, in accordance with written policies and criteria that are *reasonably related to* preference rules established under Section 6(c)(4)(A) of the *Housing Act of 1937.* The applicant's written tenant selection policies and procedures must be maintained in accordance with recordkeeping requirements; or

- eligible, in-place residents of a rental project being rehabilitated under the HOME Program.

For purposes of eligibility for HOME tenant-based rental assistance, the following definitions of family apply:

1. For purposes of eligibility for HOME tenant-based rental assistance, the following definitions of family apply. The HOME Program uses the Section 8 definition of "family", which includes but is not limited to:

   - any single person who is not 62 years old or older, disabled, handicapped, displaced, or the remaining member of a tenant family. **Single persons will not be provided with larger, family size units of two or more bedrooms**;

   - an elderly person (at least 62 years of age);

   - a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized under federal disaster relief laws;

   - a person who is under a disability as defined in section 223 of the *Social Security Act* (42 U.S.C. 423), or who has a developmental disability as defined in section 102(7) of the *Developmental Disabilities Assistance and Bill of Rights Act* [42 U.S.C. 6001(7)]; or

   - two or more persons sharing residency whose income and resources are available to meet the family's needs and who are related by blood, marriage (including common-law) adoption or as a foster child; or who have established a "family-type" relationship.

2. A family is classified as an "elderly family" if the head or spouse or sole member is at least 62 years of age. It may include two or more elderly, disabled, or handicapped

persons living together, or one or more of these persons living with one or more "live-in aids".

A "handicapped" person is a person having a physical or mental impairment that:

- is expected to be of long-continued and indefinite duration;
- substantially impedes the person's ability to live independently; and
- is of such a nature that this ability could be improved by more suitable housing conditions.

A "live-in aide" is a person who resides with an elderly, disabled, or handicapped person or persons and who:

- is determined to be essential to the care and well-being of the person(s);
- is not obligated for the support of the person(s); and
- would not be living in the unit except to provide the necessary supportive services.

3. "Household," as used in the HOME Program and in the context of tenant-based rental assistance, means one or more persons occupying a housing unit.

HOME funds used for tenant-based rental assistance must meet the following requirements regarding <u>income targeting and tenant eligibility</u>:

- at least 90% of HOME funds used for tenant-based rental assistance (and rental housing) must be used to assist families at or below 60% (very low income) of area median income;

- the remaining 10% of HOME funds can be used to assist families that are above 60%, but no higher than 80% (low income), of area median income;

- eligible families from Public Housing Authority Waiting Lists will have incomes at or below the HOME Very Low Income Limits because they are at or below 50% of the area median income. Such waiting lists therefore provide a ready source of qualified HOME participants;

- in-place residents of rental projects being rehabilitated by the grantee are eligible for HOME assistance if their incomes do not exceed 80% of the area median income.

Eligible families can be found on Public Housing Authority Waiting Lists, because they will have incomes at or below the HOME *very low income limits* (at or below 50% of

area median income). Such waiting lists therefore provide a ready source of qualified HOME participants.

In-place residents of rental projects being rehabilitated are eligible for HOME assistance if their incomes do not exceed 80% of the area median income. **APPENDIX B.5**, *Median Income Limits Table*, includes income limits for various sizes of families earning 60% or 80% of area median income, for the different cities and counties in Montana.

HOME tenant-based rental assistance may be provided to eligible tenants renting any housing that:

- meets Section 8 Housing Quality Standards; and

- rents for a reasonable amount, compared to rents charged for comparable unassisted units. **Maximum subsidy amounts** under the HOME program are found in **APPENDIX B.6**, *HOME Program Rents Table*. The maximum subsidy allowed is the *Fair Market Rent* applicable to the area for the number of bedrooms in the housing unit (see **APPENDIX B.6**).

Successful HOME applicants may require that tenants use their tenant-based rental assistance only within their area of jurisdiction, or they may authorize tenants to use the assistance outside their jurisdiction.

The **minimum tenant contribution** for rent and tenant-paid utilities is set at *30% of adjusted gross annual income*. Adjusted income is calculated by deducting from annual income the following allowances, as applicable:

- $480 for each dependent (including persons under 18, handicapped/disabled family members, or full-time students, as long as these family members are not the head or spouse);

- reasonable child care expenses (for children 12 and under) that enable a family member to work or go to school, if no adult is available in the household to provide child care;

- some expenses for the apparatus and care of a handicapped or disabled family member that enable that person or another person to work;

- $400 per elderly household (head or spouse is 62 or older or handicapped or disabled); and

- for elderly households only, some medical expenses.

See **APPENDIX B.7**, *Income Definitions for the HOME Program*, for assistance in figuring gross annual income for a tenant.

Rent subsidy contracts cannot exceed 24 months, but they may be renewed subject to the availability of HOME funds. Rent contracts are subject to the following conditions regarding start-up and termination:

- The term of the rental assistance contract must begin on the first day of the term of the lease.
- For a rental assistance contract between a applicant and an owner (landlord), the term of the contract must terminate on termination of the lease.
- For a rental assistance contract between a applicant and a family, the term of the contract need not end on termination of the lease, but no payments may be made after termination of the lease until a family enters into a new lease.

The incomes of tenants receiving rental assistance must be recertified at least annually. Each assisted family will constitute a separate project for certification and documentation purposes. If a participating tenant's income goes above the Section 8 lower income limit at recertification, assistance must be terminated. For applicants planning a tenant-based rental project with HOME funds, **Table 10-1** below presents an example for estimating the amount of tenant-based rental assistance funds the program would need for a one-year program period.

Table 10-1
Sample Method for Estimating Subsidies

Applicant is proposing a 10-unit HOME tenant-based rental assistance project:	
$10,000	Expected income of each HOME family (40 percent of median)
-1,000	Less: expected adjustments to income (2 children or elderly household deduction or medical expenses)
$9000	Adjusted gross annual income
$750	Adjusted monthly income ($9000/12)
$225	Average total tenant payment ($750 x .30)
$550	Example Section 8 payment standard
-225	Less: average total tenant payment
$325	**Average monthly subsidy**
Annual subsidy requirement: $325 x 12 months x 10 recipients = $39,000	

A grantee may use HOME funds for tenant-based rental assistance to provide loans or grants to very low and low income families for security deposits for rental of dwelling units, whether or not the grantee provides any other tenant-based rental assistance. The amount of HOME funds that may be provided for a security deposit may not exceed the equivalent of two month's rent for the unit. Only the prospective tenant may apply for HOME security deposit assistance, although the grantee may pay the funds directly to the tenant or to the landlord.

Certain HOME requirements have been put in place for the protection of tenants. For example, when the HOME rental assistance contract expires, tenants selected from the Public Housing Authority's Waiting List must be returned to that List at the position from which they were taken. This insures that persons assisted with HOME funds will still be eligible for the same PHA tenant selection preferences they held prior to being selected for HOME assistance.

The lease requirements that apply for tenant-based rental assistance also apply for tenants living in units assisted with HOME funds. The lease between an owner of rental housing and a tenant assisted with HOME funds must be for <u>not less than one year</u>, unless by mutual agreement between the tenant and the owner.

There are several prohibited lease terms. The lease may not contain any of the following provisions:

- Agreement to be sued. Agreement by the tenant to be sued, to admit guilt, or to accept a judgement in favor of the owner in a lawsuit brought in connection with the lease.

- Treatment of property. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. However, this does not prohibit a landlord from disposing of any personal property remaining in a housing unit after the tenant has moved out of the unit. The owner may dispose of such personal property in accordance with state law.

- Excusing owner from responsibility. Agreement by the tenant not to hold the landlord or the landlord's agents legally responsible for any action or failure to act, whether intentional or negligent.

- Waiver of notice. Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.

- Waiver of legal proceedings. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.

- Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury.

- Waiver of right to appeal a court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court a court decision in connection with the lease.

- Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

The requirements above should be considered when designing your proposed *Policies and Procedures* for your HOME application. Contact MDOC for a sample lease agreement form used in the Section 8 Housing Voucher Program. The back side of this agreement contains prohibited lease provisions, as well as other legal provisions and information that might be useful in administering the lease portion of a tenant-based rental assistance project.

Some of the program management issues that will have to be considered in relation to a tenant-based rental assistance program are:

- The successful HOME applicant must develop a contract or written agreement for use between itself and the tenant (for direct payments), or between the tenant and the landlord/owner (for payments on behalf of the tenant). This contract will incorporate the major provisions and rules governing the HOME tenant-based rental assistance program, including but not limited to: family and income eligibility, recertification requirements, length of assistance, property standards, subsidy limits, lease provisions, and tenant protections.

- The successful HOME applicant must ensure that any lease agreements between participating tenants and landlords/owners do not contain any prohibited lease terms, and that the terms of the lease fall within the applicable subsidy and time frame parameters.

- The successful HOME applicant will be required to develop an income certification worksheet that will be used to determine the prospective tenant's income eligibility, and their eligibility as a family, at the time the tenant receives the HOME rental assistance contract. The successful HOME applicant will also be required to maintain an income certification worksheet on each assisted family.

- In addition, the successful HOME applicant for a tenant-based rental assistance program will be required to develop a method for recertifying annually each assisted family's income, size, and composition.

- The successful HOME applicant will have to develop a method for calculating rent reasonableness and the HOME subsidy for each tenant assisted.

- A separate project file will be kept on each assisted family, since each family will represent a separate project.

The above referenced requirements should be incorporated into the applicant's proposed HOME Program *Policies and Procedures.*

C. REHABILITATION

Rehabilitation projects will involve rental housing, owner-occupied housing or, in some cases, an owner-occupied rental structure. Rehabilitation can be combined with other project activities. For example, a successful HOME applicant may rehabilitate a home and provide first-time homebuyer assistance to a low income person purchasing the unit.

1. Definitions of Rehabilitation Activities

   a. Moderate Rehabilitation is any construction work to an existing structure where the average total rehabilitation cost is less than or equal to an average of $25,000 per unit;

   b. Substantial Rehabilitation is any construction work to an existing structure where the average total rehabilitation cost of the project is greater than an average of $25,000 per unit;

   c. Reconstruction is building a new structure on the same lot of a previous structure; and

   d. Conversion is changing the use of an existing structure from an alternative use to affordable residential housing.

2. Period of Affordability. The applicable period of affordability in a rental rehabilitation project is linked to the amount of HOME funds invested per unit. The affordability time and dollar parameters for rehabilitation are:

   a. if an average of under $15,000 of HOME funds is spent per unit, the minimum period of affordability is 5 years;

   b. if an average of $15,000 to $40,000 of HOME funds is spent per unit, the minimum period of affordability is 10 years;

   c. if an average of over $40,000 of HOME funds is spent per unit, the minimum period of affordability is 15 years.

3. Eligible Rehabilitation Costs. Development hard costs (the actual costs of rehabilitation) include:

   - costs of labor and materials necessary to meet Section 8 Housing Quality Standards;
   - costs to meet rehabilitation standards;
   - essential improvements;
   - energy-related improvements;
   - lead-based paint hazards reduction;

- improvements for handicapped persons;

- repair or replacement of major housing systems (e.g., plumbing, heating, and wiring);

- incipient repairs and general property improvements of a non-luxury nature;

- demolition costs, when these are a part of a rehabilitation project;

- site improvements and utility connections to the housing unit;

- costs to refinance existing debt secured by a single-family owner-occupied unit when loaning HOME funds to rehabilitate the unit, if the overall housing costs of the borrower will be reduced and made more affordable (contact MDOC before considering including these costs as part of your proposal);

- staff and overhead costs directly related to the carrying out the project; and

- related soft costs.

4. Property Standards. Each successful HOME applicant must adopt or prepare written rehabilitation standards before HOME funds can be used in any rehabilitation activity.

   a. Minimum standards: After rehabilitation the property must, at a minimum, meet Section 8 Housing Quality Standards.

   b. Standards for substantially rehabilitated housing units: Substantially rehabilitated housing units (projects with an average cost of greater than $25,000 per unit total development costs) must also meet the following standards:

      - local codes;
      - local rehabilitation standards;
      - zoning ordinances; and
      - Cost-Effective Energy Efficiency (Conservation) Standards.

   HOME funds cannot be used for an emergency repair program.

5. Rental Rehabilitation. The HOME Program allows rehabilitation of rental housing that will be affordable for and occupied by low and very low income tenants. Project activities involving rental housing might include new construction, rehabilitation of existing structures, or acquisition of existing structures or property. Property standards and mixed income/use provisions apply as described earlier in these *Application*

Guidelines under **SECTION IV, GENERAL REQUIREMENTS FOR ALL HOME APPLICATIONS, Part F, Mixed Use/Mixed Income Projects**, page B.26.

Prohibited lease provisions also apply, as described in **SECTION V, SPECIFIC REQUIREMENTS FOR HOME PROJECTS, Part B, Tenant-Based Rental Assistance**, page B.48.

There is no limitation on the number of units eligible per project, and housing units are not subject to preferences for unit size or style. Rental housing units can be either privately or publicly owned. However, there are limitations governing the use of HOME funds in rental rehabilitation projects. HOME funds may not be used for:

- projects assisted under Title VI of the *National Affordable Housing Act* (prepayment of mortgages insured under the *National Affordable Housing Act*);
- Public Housing projects; or
- projects funded through the Rental Rehabilitation Program.

a. Affordable housing and income targeting requirements. HOME applicants should clearly demonstrate how their proposed rental rehabilitation program will be designed to meet requirements regarding **affordable housing** and **income targeting**. The following discussion should be read carefully because these requirements may at first seem confusing and contradictory. Prospective HOME applicants should feel free to contact HOME staff if they have questions regarding how to apply affordable housing and income targeting standards.

To qualify as *affordable housing* under the HOME program, rental housing units must meet two different target criteria: tenant income limitations and rent limitations. All occupants of HOME-assisted rental housing must be low income (i.e., have a gross annual income equal to or below 80 percent of the area median income).

In addition, in order to meet HOME *income targeting* requirements, at least **90 percent** of HOME funds must benefit households whose incomes do not exceed 60 percent of the median income for the area. Thus a **maximum of 10 percent** of HOME funds may be used to benefit households in the 60 percent to 80 percent median income bracket.

For HOME rental housing programs, these requirements suggest that funds should be targeted narrowly for *very low income* renters (those who are Section 8 eligible). Only a few renters with incomes approaching 60 percent of

the median, and even fewer with incomes up to 80 percent of the median, can benefit from HOME rental assistance funds.

In projects of <u>three or more</u> housing units, no less than 20 percent of the HOME-assisted units must be occupied by very low income tenants (households with incomes at or below 50 percent of the median).

Rental housing units assisted with HOME funds must remain affordable to low and very low income persons throughout the *period of affordability*. Rental housing is *considered affordable if*: at least 20% of the units assisted with HOME funds are occupied by households paying *low HOME rents* (for projects with three or more units), and the remaining 80% of HOME-assisted units are occupied by households paying rents which do not exceed the *high HOME rents*. In determining the maximum monthly rent that may be charged, the HOME applicant must subtract a monthly allowance for any utilities and services to be paid by the tenant (excluding telephone).

High HOME rents (which may be charged to low-income families between 50% and 80% of median income) are the lessor of:

- the Section 8 Fair Market Rent; <u>or</u>

- 30 percent of the family's <u>adjusted</u> income for households at 65 percent of area median income.

Low HOME rents (which may be charged to *very low* income tenants at or below 50% of median income) are:

- not more than 30 percent of the very low income family's monthly adjusted income. To obtain the maximum monthly rent that may be charged for a unit that is subject to this limitation, the grantee multiplies the annual adjusted income of a tenant family by 30 percent and divides by 12 and, if applicable, subtracts a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant; or

- rents not greater than 30 percent of the gross income of a family whose income equals 50 percent of the median income of the area, with adjustments for smaller and larger families. In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the grantee must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

The Table in **APPENDIX B.6,** *HOME Program Rents Table*, includes listings of Section 8 Fair Market Rents, low HOME rents, and high HOME rents respectively.

Table 10-2 below provides an example of high and low HOME rent determinations, with adjustments made for utility expenses for cases where the utilities are not included in the rent. Applicants must use the utility allowances prepared by their local Public Housing Authority. In the absence of a Public Housing Authority, utility adjustments proposed by applicants must be approved by MDOC.

Table 10-2
Maximum Rent Examples

$450	High HOME Rent	$350	Low HOME Rent
-25	Allowance for heat & water	-25	Allowance for heat & water
$425	Maximum allowable HOME Rent for 80% of units	$325	Maximum allowable HOME Rent for 20% of units

Using **APPENDIX B.6**, follow these steps to figure the high and low HOME rents for a two bedroom unit in Beaverhead County:

- first figure the *high HOME Rent*;
    - find the Fair Market rent (from the *HOME Program Rents* table) for a two bedroom unit in Beaverhead County ($352);
    - find the rent for a family at 65 percent of area median income ($439);
    - choose the lower of the two ($352);
    - if applicable, subtract out tenant-paid utilities (according to Public Housing Authority figures);
    - the remainder represents the *Fair Market Rent*, which may be charged for 80 percent of the HOME assisted units in a project in Beaverhead County. (Note: In many cases, the High Home Rent may be lower than the Fair Market rent).

- now figure the *low HOME rent*;
  - find the low HOME rent (from the *HOME Program Rents* table) for a two bedroom unit for a family at 50 percent of area median income in Beaverhead County ($354);
  - subtract from this figure any tenant-paid utilities;
  - the remainder represents the low HOME rents for 20 percent (the minimum amount) of the HOME-assisted units in a project in Beaverhead County.

Keep the HOME income targeting requirement in mind when figuring rents for a project. At least 90 percent of HOME funds spent on rental units must benefit persons whose incomes do not exceed 60 percent of the area median. To insure this requirement is met, the applicant should target nine out of ten rents toward *low HOME rents*. Only a few rents should be set at the high HOME rent level.

Both high and low HOME rents are established by the Department of Housing and Urban Development (HUD). *Fair Market Rents* are set by HUD based on unit size. All rents are published annually. Income levels by family size are also published by HUD on an annual basis. Regardless of the amount of HOME funds spent per unit or the income levels of the neighborhood, the maximum after-rehabilitation/acquisition/construction rents are fixed by these HUD limits. Any rents charged thereafter may be increased only according to changes in HUD established rents.

Rent schedule and utility allowances. The grantee must review and approve rents proposed by the rental owner for units with "flat rents" (units carrying rents that are the maximum allowed as either a high or low HOME rent). The grantee must review and approve the monthly allowances, proposed by the rental owner, for utilities and services to be paid by the tenant. The rental owner (or grantee, depending on the particular project) must reexamine the income of each tenant household living in low income units at least annually. The maximum monthly rent must be recalculated by the owner and reviewed and approved by the grantee and MDOC, and may be adjusted as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant.

b. Long-term controls. Long-term controls on rent and occupancy begin upon completion of the HOME rental rehabilitation project, and continue during an affordability period that may be as short as 5 years or as long as 15 years. The period of affordability is based upon the average amount of HOME funds invested per unit (see **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS, Part C(2), Rehabilitation, Period of Affordability**, page B.56).

c. Enforceable agreements. Enforceable agreements are required in the HOME Program for rental rehabilitation projects. After rehabilitation (or new construction) of a rental property, landlords can not charge rents according to what the market will bear. They face ceilings on rent levels, in accordance to the income targeting and affordability guidelines and will be required to screen tenants for family income. Landlords whose properties have been rehabilitated with HOME funds will also be required to report annually to the successful HOME applicant's project management officials regarding both rents and tenants. These requirements are to be formalized in a legally binding agreement in the form of a deed restriction, covenant running with the land, or other mechanism approved by HUD, ensuring the property will remain affordable without regard to the term of any mortgage or the transfer of ownership. **Table 10-3** lists some special provisions included in enforceable agreements between successful HOME applicants and property owners, or between landlords and tenants.

Table 10-3
HOME Rental Housing Enforceable Agreements

ITEM	PARTIES TO AGREEMENT	DOCUMENT
Rent controls	Owner--HOME Applicant	Deed restriction or covenant running with the land
Occupancy controls	Owner--HOME Applicant	Deed restriction or covenant running with the land
Annual income certification	Owner--HOME Applicant	•Written agreement with owner requiring recertification •Annual certification to MDOC that incomes have been checked and meet program requirements
Annual rent reviews	Owner--HOME Applicant	•Written agreement with owner •Annual certification by applicant to MDOC that rents are within limits
Fair housing	Owner--HOME Applicant	Written agreement with owner
Housing quality standards reviews	Owner--HOME Applicant	Written agreement with owner
Income reviews	Owner--Tenant	Lease
Affirmative marketing	Owner--HOME Applicant	Written agreement with owner

The proposed HOME Program *Policies and Procedures* should include a proposed agreement. Contact MDOC for an example of a deed restriction agreement.

d. Protection of existing tenants. Protection for existing tenants is provided under the *Uniform Relocation Act*. Tenants currently living on the property in a proposed HOME project area must be notified of the possible use of HOME funds in the project at the time the owner applies for the HOME funds; and they must be given notification of any changes in the project thereafter. **Care must be taken to insure that this notice does not insinuate that the tenant might be asked to move. Applicants should notify MDOC HOME staff before preceding with this notice, to ensure the tenant does not become a *displaced person* (as defined by the *Uniform Relocation Act*) by virtue of an incorrect action or an omission on the part of a HOME applicant.** Further notice to tenants is required when HOME funds are actually committed to a project. When

funds are committed, tenants must be informed of their right to either remain on the property or apply for relocation assistance.

Tenant-based rental assistance can be provided to existing low income occupants of HOME-assisted rental projects if a rent increase following rehabilitation results in a rent that is no longer affordable to them. HOME tenant-based rental assistance thus prevents economic displacement by offering a low income tenant a suitable unit that can be rented at an affordable price. The applicant should remember that HOME tenant-based rental assistance contracts can only be granted for 2 years, and are renewable subject to the future availability of HOME funds.

HOME-funded tenant-based rental assistance can be an important anti-displacement tool for tenants with very low incomes. While keeping in mind that 90 percent of HOME funds for rental housing and tenant-based rental assistance must be used to assist households with incomes at or below 60 percent of median income, applicants must be careful to target HOME tenant-based assistance to *very low income* households.

Rental Housing Summary: HOME rental housing projects must be closely monitored and detailed documentation kept. Applicants should give careful consideration to several key issues that will affect the overall success of their proposed project:

- Proposed rents must conform to the HOME limits regarding both *affordable housing* and *income targeting.*

- It must be demonstrated that low and very low income tenants will be able to afford the HOME rents. Because HOME rents are flat rents (established for a class of families and not a particular household), it is possible that a mismatch of rents and incomes will occur. For example, prospective tenants in the area may have incomes at 35 percent of median income and therefore may not be able to afford even the low HOME rents without rent subsidies.

- It must be demonstrated that low and very low income tenants will be willing to rent the HOME-assisted units at the proposed rent levels. Even though HOME rents may be low, tenants may have other options. HOME rents must meet income eligibility requirements and the rents must be achievable in the rental marketplace.

- The *subsidy limits* must be within the HOME guidelines. HOME regulations establish maximum subsidy limits per HOME-assisted unit. Care must be taken to ensure that costs for *common areas* such as halls, roofs, heating plants, etc. are prorated among the HOME units, and that the subsidy per HOME-assisted unit

is within the established limits; and that projects receive only the subsidies needed to make them feasible.

- Tenants in HOME-assisted units must be within income limits. No HOME funds may be used to assist tenants who, at initial occupancy, have incomes greater than 80 percent of the area median.

- Projects for which HOME funds are used to acquire existing properties are classified as moderate rehabilitation, substantial rehabilitation, or reconstruction, depending on what is ultimately done with the property.

- The way the project activity is classified will help determine the applicable construction standards. For example, if HOME funds are used to acquire an existing rental property and "other" funds are used for rehabilitation, the project is considered a *moderate rehabilitation* project, as long as total development costs (acquisition plus rehabilitation) average less than $25,000 per HOME-assisted unit.

6. Owner-Occupied Rehabilitation. Rehabilitation of single family owner-occupied housing has been an activity of local housing and community development programs for many years. The HOME Program offers another resource to meet this prevalent need. Owner-occupied rehabilitation projects are similar in some respects to rental rehabilitation projects, and significantly different in others. Similarities and differences will be presented, with emphasis on the areas that are different. HOME funds can be combined with CDBG funds, or other sources of funding, in order to weatherize owner-occupied homes, correct minor problems, or make emergency improvements -- activities which are currently ineligible under HOME. HOME funds can be used to finance the higher rehabilitation costs and more extensive improvements in the combined project. There are minimal HOME Program requirements regarding the rehabilitation of single family, owner-occupied housing. These requirements are outlined below.

   a. Income Limits. To be considered eligible to participate in HOME owner-occupied rehabilitation, a homeowner must have annual gross income that does not exceed 80 percent of the area's median income. **The HOME Program uses the Section 8 definition of *annual income*.** This definition contains a number of *inclusions* (wages and salaries, interest, dividends, alimony, child support, etc.) and *exclusions* (food stamps, medical reimbursements, etc.). **The value of equity in the homeowner's principal residence is excluded from the homeowner's annual income.** The passbook value of the equity in a house will continue to be included when determining the income of an applicant for **rental assistance**.

b. Property ownership. The homeowner must own the property and must also occupy the property as his or her principal residence. A family or individuals own the property if they:

- hold fee simple title; or
- maintain a 99-year leasehold interest; or
- have ownership or membership in a cooperative; and
- the property does not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.

Note that the homeowner may still be making loan payments on the home (i.e., they don't have to have the property paid off to be considered the *owner*). Note also that a *contract for deed* is not acceptable as proof of ownership of a property.

Properties considered for owner-occupied rehabilitation must qualify as single-family properties. HOME guidelines define single-family properties as:

- a one- to four-unit property;
- a condominium unit;
- a manufactured home (e.g., mobile home); or
- a cooperative unit.

In the case of a property that includes rental units in addition to the owner-occupied unit, HOME rent and occupancy restrictions apply only if HOME funds are used to rehabilitate the rental units. No rent or occupancy controls apply to the rental units if HOME funds are used only to rehabilitate the owner's unit.

c. Amount of assistance. The amount of HOME assistance needed will be guided by the applicable rehabilitation standards (i.e., Section 8 Housing Quality Standards, at a minimum) and the ability of homeowners to repay rehabilitation loans. The income of individual homeowners and the total monthly payment they can afford will guide the levels of assistance provided. Both interest rates and repayment terms have a significant impact on affordability. Conventional home improvement loans generally do not allow for adjustments in interest rates and have short terms (typically 5 to 10 years). By adjusting either the term or interest rate of loans, HOME rehabilitation project managers can accommodate a wider range of homeowners. Small changes in the loan's term provide more affordability than small changes in the interest rate.

Under the HOME Program, applicants may choose to customize their loan products to meet the individual needs of borrowers. Adjustment to terms and

interest rates may be customized to individual homeowners or established by category to meet the needs of anyone within a particular income range.

d. Property Value. The appraised value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the type of single family housing for the area.

e. Minimum Investment. The minimum amount of HOME funds invested in a homeowner rehabilitation project must be a minimum of $1,000 per unit assisted. It is possible that due to leveraging of public or private monies, a project might have a high rehabilitation cost but a low HOME investment. For example, if a $5,000 single family rehabilitation project included $950 of HOME funds and $4,050 in funds from other sources, the minimum per unit HOME investment requirement would not be met.

f. Maximum per unit subsidies. The maximum per-unit subsidy of HOME funds permitted per unit for a single family rehabilitation project is the maximum subsidy amount set for all HOME assisted activities (see **APPENDIX B.3.** *Maximum Per Unit Subsidy Limits*).

D. ACQUISITION

HOME funds may be used for the acquisition of improved or unimproved real property of the following types:

- vacant land for a particular housing project designed to provide affordable housing, and for which funds have been committed for construction;
- manufactured housing;
- existing housing structures, or structures that will be converted to housing through rehabilitation;
- new construction, provided the housing receives an initial certificate of occupancy or equivalent document within a one-year period before HOME funds are committed to the project.

Some projects may feature acquisition and rehabilitation of homes for First-Time Homebuyers. HOME funds may also be used for new construction of homes for First-Time Homebuyers.

This following discussion focuses on acquisition projects involving assistance provided to First-Time Homebuyers. Requirements for rental housing acquired with HOME funds are the same

as those found in **SECTION V, SPECIAL REQUIREMENTS FOR HOME PROJECTS, Part C(5), Rental Rehabilitation**, beginning page B.47.

First-time homebuyer projects may supply down payment and closing cost assistance, using a deferred payment loan format, as implemented through the contract between the HOME applicant and the first-time homebuyer. The provisions of the First-Time Homebuyer program are best monitored for compliance with HOME requirements by means of a **recorded deed of trust**.

1. Eligibility Criteria. The prospective purchaser household must meet three eligibility criteria in order to participate in a First-Time Homebuyer program.

    a. **First-Time Homebuyer**: The purchaser must be a first-time homebuyer, which means the household must meet one of the following criteria. The homebuyer:

    - has not owned a home during the three year period immediately prior to the purchase with HOME funds;

    - is a *displaced homemaker*; i.e., an adult individual who has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family, and is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment;

    - a single parent who is unmarried or legally separated from a spouse, and has one or more minor children for whom the individual has custody or joint custody, or who is pregnant (at the point the applicant occupies the property); or

    - an individual who owns or owned, as a principal residence during the 3-year period before the purchase of a home with HOME assistance, a dwelling unit with a structure:

        1) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations; or

        2) not in compliance with state, local or model building codes or other applicable codes, and the structure cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

    b. **Income Eligibility:** In addition to meeting one of the definitions of first-time homebuyers, the purchasing household must be low income, at or below 80% of

area median income, at either the time the household initially occupies the property, or at the time HOME funds are invested, whichever is later. Verification of income eligibility is good for a period of six (6) months.

c. **Principal Residence:** The purchaser household must use the property as its principal residence. To guarantee adherence to this criteria, this requirement should be incorporated into the property deed. In addition, the loan documents (such as a promissory note between the purchaser and the applicant) should also incorporate this requirement. Temporary subleases are not allowed.

2. Eligible Property Types. Property can be privately or publicly held prior to its sale to a first-time homebuyer. The property can be an existing structure or one that is newly constructed (within the limits previously discussed). It must serve as the purchaser's principal residence. Eligible property types include:

- a single family property (one unit);
- a two- to four-unit property (rent controls will apply to the second through fourth units);
- a condominium unit;
- a manufactured home (all types of non-motorized manufactured housing units, including mobile homes); and
- a cooperative unit.

3. Form of Ownership. For purposes of the HOME Program, homeownership means ownership in fee simple title, a 99-year leasehold interest in a one- to four-unit dwelling or condominium unit, ownership or membership in a cooperative, or an equivalent form of ownership approved by MDOC. **The ownership interest may be subject only to the following:**

- mortgages, deeds of trust or other debt instruments approved by MDOC;
- HOME Program restrictions on resale/recapture to assure affordability or other program requirements;
- any other encumbrances or restrictions that do not impair the marketability of the ownership interest.

Any forms of ownership not clearly specified above must be approved by MDOC (with HUD approval).

4. Property Standards. For projects involving acquisition only, the property must meet Section 8 Housing Quality Standards at the time of initial occupancy.

When acquisition is to be combined with rehabilitation activities, the property must be free from any defects that could pose a danger to the health or safety of occupants before it is transferred to a homeowner. The property must be brought up to Section 8 Housing Quality Standards within 2 years of property transfer to the first-time homebuyer.

Where the work involves substantial rehabilitation (total rehabilitation costs greater than $25,000 per unit), local code standards, rehab standards, and cost-effective energy conservation and efficiency standards also apply.

5. Property Value. At the time of purchase all first-time homebuyer properties must be appraised by a **certified appraiser**. The appraised value of a HOME-assisted property for a first-time homebuyer must not exceed 95 percent of the area median purchase price for the type of single family housing being purchased (single family, condominium. duplex, 4-plex, etc.) at the time of acquisition.

Where rehabilitation is required to bring the property up to Section 8 Housing Quality Standards, the appraised value of the property after rehabilitation cannot exceed 95 percent of area median purchase price for the type of single family housing being purchased. The after-rehabilitation value estimates should be completed prior to occupancy or investment of HOME funds. The appraisal, if performed by a third party, is an eligible soft cost.

HOME regulations do not prescribe a minimal acceptable appraisal format. Generally speaking, unofficial estimates of value performed by the local government agency or non-profit would not be acceptable. **However, drive-by appraisals performed by a licensed appraiser, title company or other qualified entity, that include a property description and the sale prices of at least 3 comparable properties, will be acceptable.**

6. Resale/Recapture Restrictions and Long-Term Affordability. There are no HOME Program requirements that the first-time homebuyer remain low income after meeting the initial income targeting test. The homeowner's PITI (principal, interest, taxes and insurance) must remain affordable to the first-time homebuyer, but there is no requirement that the monthly housing costs remain at the initial fixed threshold (e.g., 30 percent of the homeowner's income).

There are two options available to ensure long term affordability to all applicants. The first ensures the HOME assisted unit will remain affordable to the subsequent buyer. The second option ensures the Recapture of the full HOME investment in the event of the sale of the property before the period of affordability.

The first option ensures the affordability of the HOME assisted unit. The Resale provisions to ensure this affordability will be applied using the following provisions.

(a). Affordability: Housing is affordable if the purchaser's monthly payments of principal, interest, taxes, and insurance do not exceed 30 percent of the gross income of a family with an income equal to 80 percent of median income for the area, as determined by HUD with adjustments for smaller and larger families.

Housing purchased through the MDOC First Time Homebuyer Program that is sold within fifteen years for existing housing or twenty years for newly constructed housing will be sold to low-income families who must use the property as their principal residence. Subsequent buyers within the affordability period will start a new 15 year affordability period if infusion of new HOME funds is required to make the unit affordable.

Affordability to the subsequent homebuyer will be assured through a shared appreciation process. To make a resale unit affordable, MDOC will apply funds in the following order: 1) Funds returned to MDOC or State Recipient from the sale recapturing HOME down payment and closing cost assistance; then 2) Funds returned to MDOC or the State Recipient from the sale as the MDOC share of appreciation; then 3) MDOC or the State Recipient will use new HOME funds.

MDOC or the State Recipient will ensure that the housing will remain affordable, pursuant to deed restrictions, covenants running with the land or a similar mechanism to ensure affordability, to a reasonable range of low-income homebuyers. The affordability restrictions must terminate upon occurrence of any of the following events: Foreclosure, transfer in lieu of foreclosure or assignment of a FHA insured mortgage to HUD. MDOC or the State Recipient will use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property.

(b). MDOC Proceeds:. If MDOC's or State Recipient's share of appreciation and recapture of HOME down payment and closing cost funds accomplishes affordability for the second buyer during the period of affordability, any remaining MDOC or State Recipient recoveries left after affordability has been accomplished shall be made available for continued use by other prospective First Time Homebuyers in the state recipient's program.

<u>(c). Fair Return to the Seller</u> will be accomplished within the net proceeds from sale as follows:

1) Any outstanding loan balances from the first and/or second mortgages will be repaid; then

2) HOME financed down payment and closing cost amounts will then be returned to MDOC; then

3) The homebuyer shall receive a return on investment equal to the homeowner's down payment, not including down payment from HOME funds, the portion of monthly payments which were applied to the principal of the loan, and major improvements paid for by the homeowner indexed by the Consumer Price Index; then

4) Remaining net proceeds, or <u>APPRECIATION</u>, will be paid as follows:
   a) If the resale of a property occurs within the first ten years, fifty percent of the appreciation shall revert to the seller and fifty percent to MDOC, or
   b) If the resale occurs after the tenth year, before the end of the affordability period, the appreciation will be shared with the seller and MDOC reducing the amount of the HOME funds returned to MDOC pro rata based on the time the homeowner has owned and occupied the unit measured against the required affordability period, (for example, if a seller has lived in the unit for 10 years of a fifteen year affordability period; they will receive 66% of the appreciation based on 66% of the affordability period); or
   c) For properties sold after the period of affordability has expired, the homebuyer will keep both the HOME financed down payment, and all appreciation.

Table 10-4 provides a brief review of some of the major distinctions between requirements for the first-time homebuyer and the subsequent purchaser under Option One.

Table 10-4
Comparison of Homebuyer Requirements

REQUIREMENT	FIRST-TIME HOMEBUYER	SUBSEQUENT PURCHASER
Income	Less than or equal to 80% of area median income	Less than or equal to 80% of area median income
Property Value	Less than or equal to FHA 203(b) limit for size of unit	No requirements
Affordability	No requirements	PITI affordable (30% of a family's income at 75% of area median)
Affordability term*	<$15,000 HOME asst- 5 yrs $15,000-$40,000 HOME asst-10 yrs >$40,000 HOME asst- 15 yrs	The balance of the affordability period, unless additional HOME assistance is provided
Ownership qualifications	First-time homebuyer	Does not have to be a first-time home buyer.

* For *projects financed with a mortgage insured by HUD* (including multifamily housing), the minimum period of affordability is **the term of the HUD-insured mortgage**.

The purpose of the second option, the **Recapture** provisions, is to recapture the full HOME investment out of the net proceeds, to assist other First Time Homebuyers; except as provided below;

<u>(a). Resale Provisions</u>: The resale provisions provided in the contract between the Grantee and the assisted homeowner will ensure the full recapture of the HOME Investment,

<u>(b). Affordability</u>: The persons assisted under the First Time Homebuyers Assistance program with HOME funds obtained through the recapture of a HOME investment or through the initial investment of HOME funds will be subject to all the requirements and restrictions set out in 24 CFR Part 92.

<u>(c). Recapture Provisions</u>:

1. MDOC or the State Recipient will recapture the full HOME investment out of the net proceeds of the sale of the property whose seller has been assisted with First Time Homebuyer funds. Net proceeds being defined

as the sale price minus any repayment of any loan, non-HOME down payment assistance, and closing cost assistance.

2. If the net proceeds are not sufficient to recapture the full HOME Investment plus enable the homeowner to recover the amount of the homeowners down payment, principal payments, and any capital improvement investment, MDOC or the State Recipient may allow the HOME Investment amount that must be recaptured to be reduced. The HOME investment amount may be reduced pro rata based on the time the homeowner has owned and occupied the unit measured against the required affordability period; except that the Grantee's recapture provisions may not allow the homeowner to recover more than the amount the homeowner has invested into the property (i.e. principal payments, any capital improvement investment or any portion of the down payment).

3. The HOME investment that is subject to recapture is the HOME assistance that enabled the first-time homebuyer to buy the dwelling unit. The recaptured funds must be used to assist other first time homebuyer.A subsequent purchaser of the property does <u>not</u> have to be a *first-time homebuyer*. However, the following requirements relate to <u>subsequent sales</u> of a first-time homebuyer property:

If the acquisition of the HOME assisted unit is financed with a mortgage insured by HUD, the applicable period of affordability must equal the term of the HUD-insured mortgage. For example, if the purchase of the home is financed through a mortgage with a term of 30 years, then the affordability requirements will apply for 30 years.

The affordability period will be suspended upon foreclosure by a lender or other transfer in lieu of foreclosure, if the foreclosure by a lender or other transfer in lieu of foreclosure recognizes any contractual or legal rights of public agencies, nonprofit sponsors, or others to take actions that would avoid termination of low-income affordability.

- After the period of affordability the property may be sold at any price to any new homebuyer, without consideration of the purchaser's income.

7. <u>Enforcing First-Time Homebuyer Provisions</u>. There are two provisions related to first-time homebuyer programs that will require a means of enforcement:

- use as a principal residence; and
- resale restrictions.

A deed or mortgage covenant, deed restriction, covenant running with the land, or other similar mechanism must be used to ensure that the first-time homebuyer criteria are enforced. In addition, the HOME applicant should consider using the following options as a means of assurir compliance with the principal residence and resale provisions:

- first right of purchase. Should the first-time homebuyer wish to sell the property, the HOME applicant retains the right to purchase the property from them, based upon a formula price. The right of purchase can be included as a deed covenant, or it can be executed and recorded as a separate document.

- right of first refusal. The applicant can exercise the right to purchase the first-time homebuyer's property or it can waive the right to purchase. This can also be executed as a deed covenant or as a separate recorded document.

- subsidy mechanisms. The applicant can make the HOME (subsidy) amount due upon resale. The subsidy could be administered as a deferred loan (either forgivable or fully or partially repayable) or as an amortized loan, and the repayments structured so that resale promising can be met.

- equity sharing. The applicant in effect becomes a co-owner of the property. Direct involvement in subsequent transfer of the property is thus assured, permitting the applicant to comply with resale provisions.

VI. HOME PROGRAM RANKING CRITERIA

RANKING CRITERIA NARRATIVE

The purpose of the ranking criteria is to help the reviewer evaluate a proposal and compare it to other proposals. The criteria questions provide the applicant an opportunity to discuss step by step how the planning process was completed, how housing needs were identified, explain how citizen participation activities worked into the planning and assessment process, and demonstrate the ability and capacity of the applicant to implement the project and manage it properly. The questions present the applicant with an opportunity to express how their organization has identified their housing problems, and proposed solutions for these problems. The intent of the program is to address the most urgent housing needs of low to very low income households in their community.

The ranking criteria consist of five categories. Each of the criteria represent a different element of the process and each is ranked according to the point system established for the HOME application ranking process. The point system has been discussed in at least 25 public hearings in various communities around Montana. The ranking questions are asked to enable the application ranking team to make a complete assessment of the proposed project, and to rank one proposal against the other to determine which ones will be funded. There is not enough money to fund all proposals; it is necessary to rank one application against the other to determine who will be funded based on the criteria. HOME Program staff do not have the time or resources to complete on-site reviews of HOME proposals, so the applicant must communicate to the reviewer, through the application, the process used to determine housing needs and propose sound solutions to those needs.

Prior to addressing the individual application questions, the applicant is asked to present an overall narrative describing the proposed program. The summary narrative should not exceed two pages in length. The narrative will enable the ranking team to gain an immediate understanding of the overall scope of the HOME proposal, including the key elements of the program. In addition, the narrative should provide information on how the program will be implemented and managed to achieve timely start-up, and to insure the maximum impact on housing for the targeted population.

HOME applications will be evaluated according to the following criteria. Each application may be assigned up to a maximum of 600 points, based on the following ranking criteria:

A.	Planning Process:	100 Points
B.	Housing Needs:	150 Points
C.	Community Efforts:	75 Points

D.	Implementation Strategy:	200 Points
E.	Project Management:	75 Points
		===========
	TOTAL POSSIBLE POINTS:	**600 Points**

AN APPLICATION MUST RECEIVE AT LEAST 300 POINTS IN ORDER TO BE ELIGIBLE FOR FUNDING.

A. PLANNING PROCESS

The first set of application questions are presented to gather information on the planning process used by the applicant in developing priorities for affordable housing in the community. The two planning process questions allow the applicant an opportunity to describe more fully the *process* used to identify the community's housing needs, and determine solutions to the identified needs.

A1. Please provide a narrative describing your community's planning process. Include a brief statement of your community's long-term housing plan. (If a local plan has been developed, please include in Appendix.) Demonstrate how the applicant has developed a reasonable and achievable plan by matching local housing needs with local, state and federal sources of funding, and has taken into consideration all local factors, including local planning and zoning policies.

The first planning process question asks the applicant to describe the process by which the applicant has developed a strategy to address the housing problems in the community. The applicant is asked to provide a summary of the overall housing strategy resulting from this planning process. Each applicant should discuss the method used to identify and prioritize housing needs of the community. In many circumstances, a community has completed an overall housing plan or has incorporated a housing element into their overall comprehensive plan. If available, the applicant should provide a summary of this plan in an appendix. However, appendix summaries cannot serve as a substitute for answering criteria questions.

Once the priority housing needs of the low to very low income households have been identified, the applicant will need to provide evidence that they have reviewed all the federal, state, local and private alternatives available to address those needs. They should discuss the strategy used to match the identified housing needs to the best source of funding and demonstrate how all local factors, including planning and zoning issues, have been taken into consideration when developing the overall housing strategy. In addition to HOME and CDBG, there are other federal and state programs, as well as local initiatives, that can be used to finance solutions for affordable housing problems. The applicant should also identify long-term plans they may have

to meet the housing needs in the community, and explain how the HOME program presented in this application fits into those plans.

A2. Provide evidence and explain how you achieved active citizen participation during the Planning Process for assessing and prioritizing overall housing needs in your community.

The second planning process question is designed to evaluate the citizen participation process used in developing community housing plans and the HOME program. We ask the applicant to discuss the process used to encourage active citizen participation in the planning process and how the members of the community were involved in assessing the housing needs for the HOME application. It is important to encourage citizen participation as part of the process in order to better define the needs of the community and to promote a sense of ownership on the part of citizens in the proposed affordable housing program. This narrative should include a discussion of the public hearing process and the input provided during those public hearings. *If surveys were used as part of this process, it is important to discuss the survey methodology used.* The applicant should include the results of the survey to further explain how the information from the survey was incorporated into the planning process.

Each application will receive points on the planning process criteria depending upon the overall response to the criterion questions, in comparison with other HOME applications submitted:

EXCELLENT:	**100 points**
ABOVE AVERAGE:	**75 points**
AVERAGE:	**50 points**
BELOW AVERAGE:	**25 points**

B. HOUSING NEEDS

B1. Provide in narrative form (two pages maximum) a justification detailing why your housing proposal is the most appropriate application of limited public funds, and demonstrate how this proposal is addressing your community's greatest housing need. If your proposal does not address your number one housing priority, please explain why a lower housing priority was chosen. In addition, please explain the housing project alternatives you considered prior to selecting the activity presented in this proposal. Where appropriate, include housing needs assessments, housing condition surveys, and other documentation as appendices.

The purpose of the housing needs question is to have the applicant demonstrate to the ranking teams that the applicant has reviewed all segments of affordable housing needs in the community and has proposed a justifiable, effective solution that will address the most critical affordable housing needs. If the highest priority housing need is not addressed in the proposal, the

applicant can discuss the reasoning and factors that led to addressing a lower priority need (training, resources, experience, availability of land, timing, etc.).

It is important to document all statements made regarding the housing needs in the community. If Census data is used to identify certain housing needs, this should be specifically stated and documented in the application. Other possible sources of information include a survey that was completed to assess the community's housing needs and/or the condition of housing units in the community, interviews with local officials and other persons who have expertise and knowledge of housing in the area, and housing and community development studies that have been completed on the program area. When any of the above methods for assessing community needs are used as documentation, the applicant should *summarize* the results of such studies or reports and *cite* appropriate pages of the publications from which supporting data was taken (with optional hard documentation provided as an appendix). The following three examples demonstrate how this documentation should be cited:

- According to data obtained from the Census and Economic Information Center of the Montana Department of Commerce, ____% of the housing units in _____city/county were built prior to 1968.

- Of the 4,128 housing units in Beaverhead County in 1990, 18.9% were mobile homes, and 64.9% were single family detached units (computed from Census data reported in the 1993 State of Montana *Comprehensive Housing Affordability Strategy* (CHAS) Final Report, January, 1992, p. 76.

- According to the results of a local community housing survey conducted in August of 1993, there is a severe need for the new construction of low income rental units. During 1992, ____ people with Section 8 voucher certificates were unable to locate suitable housing units. The vacancy rate in the public housing units is 3% and has remained stable for the past three years. (*Name of Survey Report,* Date of Report, pg #s __ and ___).

It is not necessary to supply copies of such reports with the HOME application. It is preferable for the applicant to summarize the contents of such written documentation and cite fully the source of the data used for documentation (i.e., complete name of document, date of document, and page number where relevant supporting information is located). *If documentation is not fully cited or provided as appendix information, it will be discounted in the ranking process.*

The applicants considered to be facing the highest overall need for HOME housing assistance will receive the highest scores. Each application will receive points depending on its overall response to the criteria, in comparison to other applications submitted:

HIGHEST NEED:	150 points
ABOVE AVERAGE NEED:	113 points
AVERAGE NEED:	75 points
BELOW AVERAGE NEED:	38 points

C. COMMUNITY EFFORTS

C1. *Demonstrate that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected.*

This category considers two questions that call for an analysis of community efforts and support for the projects outlined in the HOME application. The first question asks the applicant to discuss the financial capacity of the applicant and to identify other private or public sources of funding used to address the housing problems in the community. The applicant should demonstrate that the resources provided by their organization and other public and private sources of funding are the most that can be expected. Documentation for this criterion includes information on the current property tax and mill levy structure of the community, the availability of reserve or other funds within the organization, or the economic conditions in the community. It is important to represent community efforts from private sources, such as <u>firm letters of commitment</u> by banks stating their financial involvement in the program (for example, a set-aside loan pool for use in a local first time homebuyer program). The applicant should demonstrate all efforts made to bring additional financial resources together to enhance the HOME proposal. Attempts to secure, and success in obtaining the commitment of additional financial resources (e.g., funding from other federal programs or other local initiatives), also demonstrate an applicant's efforts to bring together resources to help meet the community's affordable housing needs.

C2. *Demonstrate how non-financed efforts undertaken in the community and/or project area are complimentary to and in support of the proposed HOME project. Examples might include such activities as community or neighborhood "cleanup", "paint-up", "fix-up" campaigns; establishment of housing tax incentives; adoption of "community decay" ordinances for blight removal; and efforts to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings. CHDOs should demonstrate efforts to work with community leaders and officials to facilitate such activities.*

The second question is presented to document any non-financed activities that the applicant will undertake to compliment or support the projects outlined in the HOME proposal. The applicant should describe any volunteer efforts directed towards community cleanup, the adoption of any ordinances or tax incentive programs that enhance the proposal or result in the removal of blight or dangerous structures, or other efforts that complement the HOME program or other housing efforts. It is recognized that CHDOs do not have the authority to enact ordinances, so the CHDO should describe efforts to work with community leaders to facilitate such activities.

Each application will receive points depending upon its overall response to the criteria, in comparison to the other applications submitted:

EXCELLENT:	**75 points**
ABOVE AVERAGE:	**56 points**
AVERAGE:	**38 points**
BELOW AVERAGE:	**19 points**

D. IMPLEMENTATION STRATEGY

This criteria category is designed to assess the applicant's ability to implement the proposal outlined in the HOME application. It will enable the ranking team to rank the proposal on the degree to which the applicant has developed a comprehensive, appropriate and reasonable implementation strategy for the HOME Program, dealing with identified housing needs of the community, and making the best use of all available public and private resources.

D1. Outline the pre-planning activities taken to ensure that project activities can commence quickly if funds are awarded.

D2. Please provide a detailed Implementation Schedule by activity and timeline.

The first two questions discuss the Implementation Schedule and the preplanning activities that complement the development of the schedule. The applicant is asked to provide an Implementation Schedule by activity and timeline that identifies all the major steps of the proposed program and demonstrates that all the steps will be completed in a timely manner. The applicant should demonstrate that proper preplanning activities have taken place to guarantee that the program can be executed quickly once the grant funds are awarded. This would include such items as putting together necessary preliminary site plans, identifying all local ordinances or regulations that might affect the project, coordinating all sources of funding, etc. These factors are reliable indicators of the applicant's readiness to start the program.

D3. Describe the method you will use to identify HOME Program beneficiaries. Demonstrate how you will analyze the financial situation of each person requesting assistance (taking into account the different financial capacities of each person requesting assistance), and will comply with applicable HOME Program regulations.

In the third question, the applicant is asked to present information on the methods used to determine applicant eligibility and to establish policies to determine levels of program assistance under the proposed HOME program. Many applicants propose, for example, to use a *sliding scale* to determine the amount of assistance that a household will receive. Such techniques will be ranked to assess whether they comply with HOME regulations, whether they are appropriate and affordable for persons to be assisted, and whether the proposed terms are consistent with prudent management of limited public funds.

D4. *Demonstrate how any proposed financial resources above the match threshold (i.e., additional financial leveraging) are supported by firm commitments from developers and financial institutions, and therefore a high likelihood exists that additional housing units will be created or rehabilitated, or otherwise assisted beyond that possible using the HOME funds alone. Provide documented evidence in an Appendix.*

The next implementation strategy question asks the applicant to discuss any proposed sources of leveraging incorporated into the program. The applicant must demonstrate that there is a firm commitment of these sources and that, in the event of a grant award, these funds will be available within a short period of time so that the program can commence quickly. Because all applicants must meet minimum match requirements, applicants will be ranked on this criteria on the basis of the firmness of commitment of those financial resources that are beyond the minimum match threshold requirement. **The applicant must document the commitment of ALL sources of funding.** In documenting commitments, the applicant must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a state or federal agency, private organization, or lender must be documented by a letter of commitment from the agency, organization, or lender involved. Funds from private sources must also be well documented (e.g., by means of the donor's financial statement or other proof of financial solvency and capability to meet the proposed financial commitment). The commitment of funds or resources may be made contingent on HOME funds being awarded for the project. The applicant should demonstrate how these additional resources result in the creation or rehabilitation of more housing units than would have been completed if the HOME funds were the only source of funding.

D5. *Demonstrate how the applicant has realistically assessed the willingness of potential HOME Program beneficiaries to participate in the proposed housing project.*

It is important that all applicants realistically analyze the potential market for their housing program and anticipate the response of potential beneficiaries. In the fifth question, applicants should explain their marketing plan and method of program outreach. The information provided in response to this question will be measured on the basis of whether the applicant has sufficient client base for implementing the program, and has designed the program in a manner that makes it attractive and affordable to the potential clientele.

D6. *Demonstrate how the HOME cost per housing unit, per activity, has been estimated in relation to: the housing standard that your organization proposes to achieve; the severity of needs described in the application; and the necessity for meeting all applicable state and federal building requirements (e.g., handicap accessibility, Davis Bacon wage rates, cost-energy efficiency standards, Section 8 housing quality standards). If existing structures are to be rehabilitated for multiple family housing or if new housing construction is proposed, provide preliminary site and floor plans and additional applicable information such as local zoning and subdivision review requirements.*

The final implementation strategy question addresses the HOME cost per unit. The applicant is required to provide information on how the cost per HOME assisted unit was determined. They must demonstrate that they have taken into consideration all applicable local, state and federal regulations in their program design and have incorporated any subsequent costs into their program cost projections. Examples of requirements that should be taken into consideration include all applicable building codes, ADA and Section 504 requirements, or local subdivision or zoning ordinances. **If the applicant is contemplating rehabilitation of any multi-family structures or any new construction, it is necessary to provide preliminary building and site plans.** All preliminary plans and accompanying cost estimates will be reviewed by qualified staff at the Architecture and Engineering Division of the Department of Administration.

Each application will receive points depending upon its overall response to the criteria, in comparison to the other applications submitted:

EXCELLENT:	**200 points**
ABOVE AVERAGE:	**150 points**
AVERAGE:	**100 points**
BELOW AVERAGE:	**50 points**

E. PROGRAM MANAGEMENT

This category of questions is designed to assist the ranking team in evaluating the strategy that will be used to manage the HOME Program. This evaluation includes an assessment of program administration, financial management and the management team.

E1. Demonstrate how the applicant has considered HOME Program general and special requirements applicable to the proposed housing project. Describe how these considerations have been incorporated into the applicant's HOME program policies and procedures. If your organization has developed Policies and Procedures, please provide them in appendix form.

In the first program management question, the applicant is asked to demonstrate that they have identified the HOME general and special requirements that directly relate to their proposal; and that they have incorporated these requirements into the program design and into their proposed HOME program policies and procedures. Examples of some of these requirements include possible relocation and displacement, Fair Housing and affirmatively Marketing practices or ADA requirements. The applicant should identify the responsible parties within the organization who will ensure compliance with these requirements and who will monitor the program. Many of the programs will have long-term affordability criteria that require a commitment of personnel and resources for an extended period of time. These requirements must be incorporated into the applicant's program management plan and program policies and procedures. This question is also designed to assist the ranking team in assessing the policies and procedures that will be used to administer the program. The HOME program has specific requirements that must be met for

each type of project and the policies and procedures must incorporate these requirements. The applicant will be ranked on whether the policies and procedures meet the HOME requirements, and whether they will result in a strong program that will benefit the low to very low income households of the community.

E2. Complete the budget form on the next two pages. In the space provided on this page, provide a concise line-item narrative justification for each budget item (use one extra page if necessary).

In the second question, the applicant is asked to complete a budget form and provide a narrative justification for the proposed budget. The narrative required as part of the budget briefly explains each budget item. The justification should include a detailed discussion of all budget items, and the applicant must provide documentation or other evidence demonstrating that the projected costs for the program are reasonable. These costs may be based on costs estimates developed by the program architect/designer, previous programs and projects of a similar nature, or other sources that are relevant to the proposal. The applicant is required to provide a budget justification for both the administrative and project activities budgets.

E3. Complete the cash flow form on the next two pages if your proposal is for ***rental housing****, a* ***group home****, or an* ***assisted care facility****. Provide 1-year, 5-year, and 10-year cash flow projections. In the space provided below, provide a cash flow narrative (use one extra page if necessary).*

Those applicants proposing rental housing, group home, or assisted care facility programs are required to fill out the cash flow form and complete a narrative. Question three is designed to show the ranking team the underlying financial assumptions that were used to predict the financial viability of the proposal. The narrative should act to clarify and expand on the information provided on the budget form. A positive cash flow is expected in most circumstances. If the cash flow is projected as negative, the applicant should specify in the narrative how and why the project is still feasible.

E4. Please describe how your organization's financial management procedures incorporate other funding sources or organizations that will be involved in the project. Describe how all finances and personnel will be coordinated and directed.

The fourth question is designed to assist the reviewer in analyzing the overall coordination of the HOME program. The applicant is asked to demonstrate how all funding sources will be incorporated into the existing accounting system of the organization, and who will be responsible for coordination and financial management activities. The applicant should also discuss the timetables of the different financing sources proposed for the program and explain how they will be coordinated.

E5. Provide a narrative summary of your Management Plan, and submit a copy of the full plan as an Appendix to this application.

The fifth question calls for a copy of the applicant's completed management plan. The management plan should cover four basic areas: policies and procedures, overall administrative structure, program management, and financial management. Please refer to pages X and X+1 of these Guidelines for a discussion on management plan requirements.

E6. Using the form below, describe briefly the qualifications or experience for each position that is involved in your HOME program. If you will hire new staff for the position, include the qualifications that you intend to require for the position.

The sixth Program Management question asks the applicant to provide information regarding the staff who will be working on the program. The intent of this question is to provide the ranking team information on the qualifications of the person(s) who will be assigned different responsibilities under the HOME program. If the applicant intends to hire additional staff, such as an administrative consultant or other outside staff (e.g., legal counsel or an administrative consultant), the applicant must include a job description for these positions. If a Request for Proposal (RFP) or similar process will be conducted to hire additional staff, the applicant should include that step in answering the Implementation Schedule Criterion (question D1). The applicant should discuss how the RFP process will affect program management and the implementation of the program. ***An organization should not proceed with an RFP for management services without review and approval from MDOC.***

E7. If income is to be generated by HOME-funded activities, please summarize your organization's Program Income Plan, describing the proposed use of that money and any long-term administrative mechanisms. ***If your organization has a HOME program income portfolio, please provide an account balance and summary of past program income funded activities. If the applicant is a CHDO, this question is not applicable because CHDOs are not allowed to retain program income.***

The last Program Management question asks the applicant to outline their Program Income Plan. If the applicant anticipates receiving any program income from HOME activities, they must describe how those funds will be used and outline the mechanisms proposed for the administration of those funds. Since all program income must be managed in accordance with HOME guidelines and requirements, the program income plan must include assurances that these guidelines will be followed. CHDOs may not retain program income and must work through MDOC to develop a plan for the management of program income resulting from their project activities.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

EXCELLENT:	75 points
ABOVE AVERAGE:	56 points
AVERAGE:	38 points
BELOW AVERAGE:	19 points

VII. APPLICATION EVALUATION

An application ranking procedure has been developed because HOME funds are awarded on a competitive basis. The purpose of the HOME ranking process is to assist in the awarding of the state's limited HOME funds to those programs that provide the best response to local housing needs and are consistent with Montana's HOME Program requirements. The assignment of points to each ranking criteria provides a means to objectively rank the applications. The ranking score provides a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

All projects under consideration for a HOME grant award are evaluated against the ranking criteria. Each criteria category has been assigned a number representing its relative priority or worth. By reviewing each criteria and its potential points, applicants can gain a better sense of the major issues involved in designing a more competitive application and the relative effort that should be devoted to responding to each criterion question. Any person with a question or concern regarding any of the ranking criteria should contact the MDOC HOME staff prior to submitting an application.

Individual applications will vary depending upon the project activities proposed, the size and character of the organization applying, and each applicant's unique response to its own particular community's specific housing needs. The ranking process must, in part, be subjective because no purely quantitative measures exist that can anticipate every community's housing needs. In evaluating the applications, MDOC will rank each application on the basis on its own merits, but will also rank applications in comparison to those submitted by other HOME applicants.

Upon receipt, MDOC HOME staff will review each application for completeness and for conformance to federal and state HOME requirements. An application may be disqualified from a scheduled grant competition if the proposed program fails to comply with a general requirement applicable to all HOME grantees, or with any special requirement applicable to the type of project proposed. Disqualified applicants will be notified in writing of the reason for disqualification. Failure to meet the matching criteria threshold set by HUD and the Montana Department of Commerce HOME Program and to document firm commitment for all sources of match will result in automatic disqualification of an application.

After submission of an application, applicants are expected to keep MDOC informed of any developments that could affect the viability of the proposed project. MDOC may contact the applicant to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams will be appointed from state agency staff. Applications will be evaluated by the ranking teams, using the ranking criteria and numerical point systems described in these HOME Application Guidelines. The ranking teams serve in an advisory capacity to the Director of MDOC and will make recommendations to the Director with regard to the applications that should be awarded HOME funds.

MDOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. MDOC will request outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review.

After reviewing each application and any technical review comments, the ranking team will evaluate the degree to which each proposed program responds to each applicable criteria. Scores will then be assigned according to the point values established for each criteria. **A failure to respond to any criterion will result in no points being awarded for that criterion**. If the ranking team determines the applicant has inadequately documented specific statements or claims made in response to a criterion, it may rank the application lower on that criterion than it would rank other applications that provide stronger supportive documentation. Numerical or percentage claims will be accepted and considered valid only to the extent that they are clearly substantiated and supported by any documentation included in the application (refer to page B.80 for an explanation and description of documentation requirements). Because each application competes on its own merits, the applicant should not make assumptions that ranking team members are already aware of the important details regarding their HOME proposal, but should rather spell out such details as clearly and succinctly as possible. Representatives of applicants will not be present during the application review and ranking process to further explain the proposal.

The ranking teams will submit their written findings and recommendations for grant awards to the Director of MDOC for his/her consideration. These findings will be based upon the order of scores assigned to each application by the ranking teams during the reconciliation process. The final decision on grant awards will be made by the Director. If the Director revises any of the scores assigned by the ranking teams or selects an application that was not recommended for funding, the Director will prepare a written finding, consistent with the criteria established in the application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of Home awards made will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, the funded programs will be selected on the basis of the Director's judgement of the overall quality of the proposed programs and their consistency with the goals and objectives of the Montana HOME Program.

VIII. PROCEDURES FOR GRANT AWARD

A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS

As soon as possible after the selection process is completed, the Director will notify all applicants of the final results of the ranking process. A summary of the final ranking results and the written findings of the team that reviewed the application will be provided to each applicant.

Funds will be tentatively allocated to the selected applicants. This tentative allocation of funds does not imply approval of all activities or costs proposed in the application. The proposed work program and budget may be subject to minor modification during subsequent contract negotiations between the applicant and MDOC. The formal award of HOME funds will be contingent upon the execution of a contract between the applicant and MDOC and the completion of other required program start-up activities in accordance with all applicable federal and state requirements.

B. RE-RANKING OF APPLICATIONS

Re-ranking may be considered in the event that an applicant tentatively selected to receive HOME funds is unable to substantiate information in the application that was a determining factor in how the application was ranked, or if an applicant requests modification of any activities proposed in the original applications that would affect the ranking scores assigned. (See procedures under **Section IX, PROJECT START-UP REQUIREMENTS**, page B.93.)

C. APPLICATION REVIEW

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review, upon request, in MDOC offices in Helena, Montana. MDOC HOME staff will review the evaluation and ranking of applications with the specific applicants on request.

D. APPLICANT APPEAL

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that MDOC determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, MDOC will reserve funds from the fiscal year 1995 HOME state allocation sufficient to fund that application. Those funds will be made available as soon as is practicable. If any other applicant tentatively selected for fiscal year 1995 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and

made available to the applicant whose grant request was erroneously scored. The reservation of the 1995 HOME funds would then be adjusted or canceled, as appropriate.

IX. PROJECT START-UP PROCEDURES

A. AMOUNT OF GRANT AWARD

Funds will be tentatively awarded by MDOC to selected applicants. While grant ceilings establish the maximum amounts that may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed grant activities, and the resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of MDOC. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed work program and budget may be subject to modification during subsequent contract negotiations between the applicant and MDOC. MDOC will not grant additional funds to pay for program costs that exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award for the overall grant program will be reserved by MDOC: to expand the scope of the original project; to help fund programs not fully funded, to offer a special application process, or to increase the following fiscal year's HOME allocation. In this event, MDOC will amend the grant contract to reflect the reduced costs.

In certain circumstances unexpended funds may be used for an eligible project that further enhances the contracted program. Before MDOC makes a determination to allow the additional project, the grantee must demonstrate that the project will: clearly enhance the overall impact of the original program; provide adequate benefits to low and very low income persons; be completed in a timely manner; and be completed with the unexpended funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

B. PROJECT START-UP REQUIREMENTS

Within four months of the date of the announcement of the tentative grant award by MDOC, each applicant selected for HOME funding must execute a grant contract with MDOC.

Within six months of the date of the announcement of the tentative grant award by MDOC, each applicant selected for HOME funding must:

- comply with all applicable state and federal requirements for program start-up;
- establish with MDOC n acceptable mechanism for transfer of HOME funds to the grantee;
- submit an acceptable management plan and implementation schedule for the local HOME program; and

- fulfill other appropriate contract terms established by MDOC.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the Montana HOME Program ranking and grant award procedures. If the tentative grantee can demonstrate the existence of unusual or extenuating circumstances, MDOC will consider an extension of time to meet these conditions.

No applicant that has been tentatively selected for HOME funding may obligate or incur costs for HOME funds until specifically authorized in writing by MDOC. Funds obligated or expenses incurred without proper authorization will be the responsibility of the applicant and will not be reimbursed. Incurring costs includes actions such as hiring staff or entering into a contract for construction or management services or for acquisition of land.

From the date of the tentative award, it may take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. The contract between the grantee and MDOC must be prepared; the grantee must conduct an environmental review; and all the details for assuring proper management of the project and the federal funds must be finalized.

C. GRANT CONTRACT

After an application is tentatively selected for funding, a HOME grant agreement will be prepared. The grant agreement is the legal document governing the administration of the HOME grant and the expenditure of program funds. It will include the following items:

- the amount of funds to be provided;
- a detailed budget for the funds and any other funds involved in the project;
- the schedule for implementation of project activities and the scope of work to be completed; and
- the general and special terms and conditions associated with the grant.

The HOME grant application, as approved, will become part of the grant agreement.

No HOME funds will be released to the grantee until a grant agreement is fully executed and all program start-up requirements complied have been met.

D. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS

It is the responsibility of all HOME grantees to comply with all applicable federal and state laws, executive orders, and regulations affecting their programs. MDOC will conduct training

sessions to familiarize grantees with these requirements. Participation at the training workshop is mandatory.

E. COMMITMENT OF NON-HOME RESOURCES

Within six months of the tentative grant award, all grantees requiring other private, or local, state or federal public resources, in addition to HOME funds, to implement a proposed HOME project must have completed all necessary arrangements to assure the resources are available for commitment to and participation in the project. Securing firm commitments for non-HOME funds at this time will guarantee timely project completion. MDOC encourages applicants to secure firm commitments from all non-HOME funding sources prior to submission of their HOME application.

No HOME funds will be released to the grantee until firm commitments are available for all non-HOME resources to be involved in a project. No HOME funds may be obligated or incurred until this condition is released by MDOC. If firm commitments cannot be obtained within the timeframe, the tentative award will be withdrawn and the funds reallocated. MDOC will consider an extension of time if the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time.

F. PROJECT MONITORING

During the course of the local HOME project, MDOC will monitor each grantee through periodic on-site visits and written progress reports, so that any problems that may occur can be resolved as soon as possible. It is MDOC's goal to assist and support grantees in complying with applicable state and federal requirements and in implementing their program.

Grantees will be required to maintain complete financial and program files, and to comply with all program reporting requirements. Representatives of MDOC must be provided reasonable access to all books, accounts, records, reports and files pertaining to project activities. Grantees must also provide citizens with reasonable access to records regarding the use of funds.

G. TIMELY PROJECT COMPLETION

The grant requested, either by itself or in combination with other identified funding sources, must be sufficient to complete the proposed activities within the contract period. Projects must me set up in the Cash Management and Information System (CM/I) within the time specified in the contract. Contract periods are normally 24 months from the date of the announcement of the tentative grant award by MDOC. MDOC will consider each program separately during grant contract negotiations in order to establish a reasonable and realistic date for program completion.

MDOC reserves the right to withdraw a commitment for any HOME funds that remain unobligated after the date specified in the contract.

H. GRANT AMENDMENT

All grant amendments require prior written approval. Such amendments include new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation proposed in the grant application and/or negotiated in the grant contract. Before MDOC makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. MDOC will analyze the proposed modification and its impact on the scores originally assigned to the application and will make a determination as to whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If re-ranked, the application with proposed amendments must rank equal to or greater than the lowest numerical score received by a funded project, in order to be funded.

If the proposed amendment is determined to cause a substantial change in the project activities proposed in the original application for HOME funds, MDOC will require that a public hearing be conducted, with reasonable notice given by the grantee. Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.

APPENDICES

LIST OF APPENDICES

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APPENDIX B.1

PROGRAM DESCRIPTION - FISCAL YEAR 1995

for the State of Montana

by the PARTICIPATING JURISDICTION (PJ)

MONTANA DEPARTMENT OF COMMERCE

LOCAL GOVERNMENT ASSISTANCE DIVISION

HOUSING ASSISTANCE BUREAU

Dave Parker, HOME Program Manager
1424 Ninth Avenue
Helena MT 59620-0545
(406) 444-0092

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

PROGRAM DESCRIPTION - FEDERAL FISCAL YEAR 1995

for the

STATE OF MONTANA

by the PARTICIPATING JURISDICTION (PJ)

MONTANA DEPARTMENT OF COMMERCE

HOUSING ASSISTANCE BUREAU (MDOC)

1. **PROGRAM PURPOSE:** The Montana HOME Program will expand the supply of safe, decent, sanitary, and affordable housing (rental and homeowner housing) for lower income Montanans; strengthen the ability of local governments and other housing development entities to design strategies and implement programs to address this goal; and provide various forms of financial assistance by pass-through grant mechanisms.

The Montana Department of Commerce, Housing Assistance Bureau (MDOC), will use a flexible administrative strategy to allow local entities freedom to operate the program and be responsive to their needs, constraints, and identified goals in the Montana Consolidated Plan Submission (CPS). A copy of the 1995 CPS executive summary is attached.

2. **PARTICIPATING JURISDICTION:** MDOC will operate the HOME Program for Montana. On March 20, 1992, HUD accepted MDOC as the state participating jurisdiction (PJ) for HOME, in accordance with 24 CFR 92.103. MDOC is located at 1424 9th Ave., Helena, with a mailing address of: Montana Department of Commerce, Housing Assistance Bureau, HOME, P.O. Box 200545, Helena, MT 59620-0545.

MDOC will administer a competitive grant process in HOME using guidelines consistent with 24 CFR 92, and provide technical assistance to eligible applicants. MDOC will perform technical assistance, program monitoring, performance and evaluation reviews at levels sufficient to insure compliance with state and federal rules governing program operation.

Where necessary, MDOC staff will consult with the Federal Home Loan Bank, The Department of Housing and Urban Development, and other local, regional, and state agencies for program development, implementation and management.

3. **FUND DISTRIBUTION (24 CFR 92.150(b)(3)):** In Program Federal Fiscal Year 1994, Billings, Montana qualified for "participating jurisdiction" threshold funding. Billings was allocated $379,000 in the HOME formula allocation published in the *Federal Register* / Vol. 59, No. 20 / Monday, January 31, 1994. MDOC will provide a <u>one time</u> allocation of $121,000 of the FFY 1994 state allocation to Billings. This $121,000 combined with the Billings allocation of $379,000 will allow Billings to qualify as a PJ with the minimum $500,000 requirement. MDOC will distribute all remaining FY 94 HOME funds to eligible local applicants using a single competitive selection process for applications. If there are insufficient applications which meet funding qualification requirements to allow funding of the whole FY 94 HOME set aside (Formula Allocation), as required under the National Affordable Housing Act of 1990 and the 1992 Housing Act, for Montana of $3,217,000 or the CHDO 15% set aside of $464,400 remaining funds will be awarded through an ongoing open competition. MDOC will use 10% of the FFY 94 HOME allocation for Montana, figured after the Billings <u>one-time</u> allocation is subtracted out of the total, of $309,600 for administration of the HOME program. MDOC will use 5% of the FFY 94 HOME allocation for Montana, ($154,800) for CHDO operating expenses.

FFY '93 MONTANA HOME PROGRAM FUND ALLOCATION

Total FFY '94 HOME Grant Award	$3,217,000
One-time allocation to Billings	$ 121,000
15% CHDO Set Aside	$ 464,400
5% CHDO Operating Expense	$ 154,800
10% Program Administration	$ 309,600
Balance available for Grants	$2,167,200

Published application guidelines and ranking criteria will be uniformly applied to all competing proposals. Guidelines and ranking criteria will be publicly reviewed through a statewide public hearing process.

HOME Application Ranking Criteria will include analysis of an applicant's: Housing Planning Process; Housing Needs Assessment; Community Efforts; Implementation Strategy; and Project Management Capacity.

MDOC will evaluate each project to determine minimum HOME funds necessary, together with other federal funds, to provide affordable housing. Where program awards are made to state recipients or CHDOs for unspecified sites, applicants will be required to submit project management and program policies and procedures prior to contract signing. Recipients will be monitored accordingly.

MDOC will establish policies and procedures for use of the HUD Cash/Management Information System (C/MIS). MDOC will be the only organization accessing (C/MIS) and will pass grant funds through to state recipients and CHDOs. MDOC will review and evaluate state recipient management plans, and based upon a favorable review, will authorize state recipients to operate a local HOME trust account.

4. COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOs) (CFR 92.150(b)(4)): Not less than 15% ($464,400) of MDOC FFY 95 HOME funding of $3,217,000 will be set aside for use by CHDOs. The percents are figured after subtracting out $121,000 for a one-time allocation for Billings. 5% ($154,800) of the FFY 95 HOME allocation for Montana will be used for CHDO operating expenses, if all operating funds are not used by CHDOs the remainder will revert to project funds. Up to 10 percent of the HOME funds set aside for CHDOs, ($46,440) may be used for activities specified under 92.301. MDOC has certified sixteen organizations as CHDOs to date. MDOC will continue to contact private non-

profit corporations in Montana to determine interest in the HOME Program and certify additional organizations as CHDOs when appropriate. MDOC will provide technical assistance for CHDOs through HUD consultants and MDOC HOME staff. MDOC will not restrict eligible activities to be undertaken by CHDOs more than federal regulations or this program description restrict them. MDOC will determine status of organizations applying for certification as CHDOs, prior to ranking local grant (project) applications. CHDOs will be recertified yearly to insure continued eligibility for the HOME Program.

5. AMENDING THE PROGRAM DESCRIPTION: Revision of the Program Description is anticipated in FFY 95. Only significant amendments to the Program Description will be submitted to HUD for review and approval.

Significant amendments include:

- Changes in resale guidelines for first time home buyers;
- Revisions to specifically approved forms of investment or additions of new forms of investment not described in HOME regulations;
- Changes in Minority and Women's Business Outreach programs; or
- Changes in affirmative marketing policies.

Other amendments to the Program Description will be documented in MDOC files, and included in subsequent program descriptions if they have an impact on the program in future years.

6. ELIGIBLE FORMS OF ASSISTANCE: There are approximately 200 communities in Montana, some located as far as 450 miles from MDOC, which is located in the state capital. The HOME application process is conducted annually on a competitive basis. The application process mandates that eligible applicants review and analyze the following: Housing Planning Process; Housing Needs; Community Effort; Implementation Strategy; and Project Management. This application process provides the applicant with a comprehensive local housing analysis so HOME applicants can better identify their greatest housing need, and submit well planned housing projects to be financed with HOME funds. MDOC will certify that each funded HOME project is in conformance with the approved State CHAS. Since local officials and non-profits are more familiar with their changing needs than MDOC is, localities will be relied upon to determine their specific needs. MDOC will distribute HOME funds based on ranking the applications against each other using the publicly reviewed ranking criteria. In the FFY 92 and 93 grant competitions MDOC received a wide range of proposed projects. The FFY 92 and 93 project activities include homeowner and rental rehabilitation, homeowner and rental new construction, conversion, acquisition, first time homebuyer assistance, tenant based rental assistance, and transitional housing. As a result of MDOC's statewide competitive application process, it is impossible to determine exact amounts which will be committed in any specific category of assistance for FFY 95 funds.

The following types of assistance will be generally available to all applicants: Tenant-based Rental Assistance; Assistance to First Time Home Buyers; Rental and Homeowner Assistance; Property Acquisition; New Construction; Reconstruction; Moderate Rehabilitation: Substantial Rehabilitation; Conversion; Transitional Housing; Site Improvements; Demolition; Relocation Expenses; Other reasonable and necessary expenses related to development of non-luxury housing. Tenure groups to be assisted based on the approved housing strategy include low and very low income Montanans, and those in special needs categories.

Flexibility is presumed under 92.205(b). If MDOC is approached about some otherwise ineligible form of assistance, or other eligible forms not listed in the regulations, HUD will be contacted for guidance and concurrence.

7. **FIRST TIME HOMEBUYER PROGRAM (92.150(b)(5)):** The MDOC First Time Homebuyer Program will supply mortgage buy down, down payment and closing cost assistance, using a deferred payment loan format, as implemented through contract with recipients, and monitored for compliance using recorded deeds of trust containing these provisions. It is the intent of the Montana Department of Commerce to recover the HOME investment under all circumstances unless the net proceeds from the sale of a home whose owner has been assisted with First Time Homebuyers Assistance is not sufficient to recapture the full HOME investment. The State Recipient will have to indicate which option they will be using within their program and will have to be consistent in its use with all assisted persons. If the funds from the sale of a property are insufficient to cover repayment of all of the HOME funds, neither the State nor the State Recipient have to make up this deficiency. HOME funds that are recaptured will be used to assist other first-time homebuyers.

The options listed below are the options discussed in 24 CFR §§ 92.254(a)(4).

OPTION A: The purpose of Option A is to ensure that the housing assisted unit will remain affordable to the subsequent buyer.

RESALE PROVISIONS FOR FIRST TIME HOMEBUYER PROGRAM: Resale provisions of 92.254(a)(4) will be applied, requiring program participants to use the following provisions:

AFFORDABILITY: Housing is affordable if the purchaser's monthly payments of principal, interest, taxes, and insurance do not exceed 30 percent of the gross income of a family with an income equal to 80 percent of median income for the area, as determined by HUD with adjustments for smaller and larger families.

Housing purchased through the MDOC First Time Homebuyer Program that is sold within fifteen years for existing housing or twenty years for newly constructed housing will be sold to low-income families who must use the property as their principal residence. Subsequent buyers within the affordability period will start a new 15 year affordability period if infusion of new HOME funds is required to make the unit affordable.

Affordability to the subsequent homebuyer will be assured through a shared appreciation process. To make a resale unit affordable, MDOC will apply funds in the following order: 1) Funds returned to MDOC or State Recipient from the sale recapturing HOME down payment and closing cost assistance; then 2) Funds returned to MDOC or the State Recipient from the sale as the MDOC share of appreciation; then 3) MDOC or the State Recipient will use new HOME funds.

MDOC or the State Recipient will ensure that the housing will remain affordable, pursuant to deed restrictions, covenants running with the land or a similar mechanism to ensure affordability, to a reasonable range of low-income homebuyers. The affordability restrictions must terminate upon occurrence of any of the following termination events: Foreclosure, transfer in lieu of foreclosure or assignment of a FHA insured mortgage to HUD. MDOC or the State Recipient will use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability. The affordability restrictions shall revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property.

<u>MDOC PROCEEDS</u>. If MDOC's or State Recipient's share of appreciation and recapture of HOME down payment and closing cost funds accomplishes affordability for the second buyer during the period of affordability, any remaining MDOC or State Recipient recoveries left after affordability has been accomplished shall be made available for continued use by other prospective First Time Homebuyers in the state recipient 's program.

<u>FAIR RETURN TO THE SELLER</u> will be accomplished within the net proceeds from sale as follows:

1) Any outstanding loan balances from the first and/or second mortgages will be repaid; then

2) HOME financed down payment and closing cost amounts will then be returned to MDOC; then

3) The homebuyer shall receive a return on investment equal to the homeowner's down payment, not including down payment from HOME funds, the portion of monthly payments which were applied to the principal of the loan, and major improvements paid for by the homeowner indexed by the Consumer Price Index; then

4) Remaining net proceeds, or <u>APPRECIATION</u>, will be paid as follows:

   (a) If the resale of a property occurs within the first ten years, fifty percent of the appreciation shall revert to the seller and fifty percent to MDOC; or

(b) If the resale occurs after the tenth year, before the end of the affordability period, the appreciation will be shared with the seller and MDOC reducing the amount of the MDOC on a pro rata basis based on the time the homeowner has owned and occupied the unit measured against the required affordability period, (for example, if a seller has lived in the unit for 10 years of a fifteen year affordability period; they will receive 66% of the affordability period); or

(c) For properties sold after the period of affordability has expired, the homebuyer will keep both the HOME financed down payment, and all appreciation.

OPTION B: The purpose of Option B is to recapture the full HOME investment out of the net proceeds, to assist other First Time Homebuyers; except as provided below.

<u>RESALE PROVISIONS</u>: The resale provisions provided in the contract between the Grantee and the assisted homeowner will ensure the full recapture of the HOME Investment.

<u>AFFORDABILITY</u>: The persons assisted under the First Time Homebuyers Assistance program with HOME funds obtained through the recapture of a HOME investment or through the initial investment of HOME funds will be subject to all the requirements and restrictions set out in 24 CFR Part 92.

<u>RECAPTURE PROVISIONS</u>:

(a) MDOC or the State Recipient will recapture the full HOME investment out of the net proceeds of the sale of the property whose seller has been assisted with First Time Homebuyer funds. Net proceeds being defined as the sale price minus any repayment of any loan, non-HOME down payment assistance, and closing cost assistance.

(b) If the net proceeds are not sufficient to recapture the full HOME Investment plus enable the homeowner to recover the amount of the homeowners down payment, principal payments, and any capital improvement investment, MDOC or the State Recipient may allow the HOME Investment amount that must be recaptured to be reduced. The HOME investment amount may be reduced pro rata based on the time the homeowner has owned and occupied the unit measured against the required affordability period; except that the Grantee's recapture provisions may not allow the homeowner to recover more than the amount the homeowner has invested into the property (i.e., principal payments, any capital improvement investment or any portion of the down payment).

(c) The HOME investment that is subject to recapture is the HOME assistance that enabled the first-time homebuyer to buy the dwelling unit. The recaptured funds must be used to assist other first time homebuyer.

8. **TENANT BASED RENTAL ASSISTANCE (92.150(b)(6)):** Rental assistance in HOME will be allowed in applications, based on local need demonstrated by the locality preparing the application. MDOC will consider applications proposing such use, if there is clear and substantial compliance with 92.211 including:

a. That such use is an essential element of the applicant's current housing planning strategy for expanding the supply, affordability, and availability of decent, safe, and sanitary housing and clearly specifies local market conditions leading to such determination; and

b. That tenants assisted with these funds be selected from a PHA waiting list based on local preference, or using a local established policy that is reasonably related to preference rules established under section 6(c)(4)(A) of the Housing Act of 1937, or selected for existing occupancy in a site designated for rehabilitation assistance.

c. That rents remain reasonable (at or below Section 8 Existing FMR), that the tenant pays no more than 30 percent of his/her family adjusted income for rent and utilities, that rental assistance offered under this program is limited, and that the rental units meet Section 8 Housing Quality Standards.

9. **AFFIRMATIVE MARKETING:** For FFY 95, MDOC will not fund any projects directly (see para. 3 - Fund Distribution). Under 92.351, when MDOC expects to make HOME funds available for projects containing 5 or more housing units, MDOC will require (as a contract special condition) that the local recipient provide evidence of adoption of an affirmative marketing plan. Participants in the HOME Program will be required to use affirmative fair housing marketing practices in soliciting renters, determine eligibility and concluding all transactions. Each Participating entity must affirmatively further fair housing according to 24 CFR § 570.904(c):

a. MDOC and/or the state recipient will require the owner to solicit applications for vacant units from persons in the housing market who are least likely to apply for the rehabilitated housing without benefit of special outreach efforts.

b. Owners advertising vacant units must include the equal housing opportunity logo or statement. Advertising media may include newspapers, radio, television, brochures, leaflets, or may involve simply a sign in a window. The owner may wish to use community organizations, places of worship, employment centers, fair housing groups, housing counseling agencies, social service centers or medical service center as resources for this outreach.

c. The owner must maintain a file containing all marketing efforts (i.e. copies of newspaper ads, memos of phone calls, copies of letters, etc.) to be available for inspection at least annually by MDOC and/or the state recipient.

d. The owner shall maintain a listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period.

MDOC and/or the state recipient will assess affirmative marketing efforts of the owner by comparing predetermined occupancy goals (based on the area from which potential tenants will come) to actual occupancy data the owner is required to maintain. Outreach efforts on the part of the owner will also be evaluated by reviewing marketing efforts.

MDOC and/or the state recipient will assess efforts of owners receiving loans during rent-up and marketing of the units by use of a compliance certification or personal monitoring visit to the project at least annually.

Where an owner fails to follow affirmative marketing requirements, corrective actions shall include extensive outreach efforts to appropriate contacts to achieve occupancy goals or sanctions MDOC and/or the state recipient shall deem necessary.

MDOC may provide general assistance and guidance to recipients in preparation and administration of affirmative marketing policy. Affirmative and fair housing marketing will presumed to have taken place if tenants placed in assisted housing are from a PHA waiting list.

10. MINORITY BUSINESS ENTERPRISES (MBE) (Executive Order 11625 and 12432) AND WOMEN-OWNED BUSINESS ENTERPRISES (WBE) (Executive Order 12138) OUTREACH PROGRAM: MDOC will make continuing efforts to encourage the use of minority and women's business enterprises in connection with HOME funded activities. MDOC and all recipients of HOME funds will take the following necessary affirmative steps to assure that minority firms and women's business enterprises are used whenever possible:

a. Require use of Montana Department of Transportation **Disadvantaged Business Enterprise (DBE) Directory** when applicable. (This is Montana's listing of certified MBEs and WBEs, their capabilities, services, supplies and or products);

b. Utilize the local electronic and print media to market and promote contract and business opportunities for MBEs and WBEs;

c. Develop informational and documentary materials (fact sheets, program guides, procurement forecasts, etc.) on contract and sub-contract opportunities for MBEs and WBEs;

d. Develop procurement procedures that facilitate opportunities for MBEs and WBEs to participate as vendors and suppliers of goods and services;

e. Sponsor business opportunity related meetings, conferences, seminars, etc., with minority and women business organizations; and

f. Maintain centralized records with statistical data on utilization and participation of MBEs and WBEs as contractors and sub-contractors in all HUD assisted program contracting activities.

MONTANA DEPARTMENT OF COMMERCE AS THE MONTANA STATE PARTICIPATING JURISDICTION

CERTIFICATIONS

HOME PROGRAM DESCRIPTION

In accordance with the **Home Investment Partnerships Act** and with 24 CFR 92.150 of the **Home Investment Partnership Program Rule,** the participating jurisdiction certifies that:

(a) Before committing any funds to a project, it will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;

(b) If the participating jurisdiction intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the participating jurisdiction's annual approved housing strategy for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing.

(c) The submission of the program description is authorized under State and local law (as applicable), and that it possesses the legal authority to carry out the Home Investment Partnerships (HOME) Program, in accordance with the HOME regulations;

(d) It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, implementing regulations at 49 CFR part 24 and the requirements of 24 CFR 92.353;

(e) It and State recipients, if applicable, will use HOME funds pursuant to its Comprehensive Housing Affordability Strategy (CHAS) approved by HUD and all requirements of 24 CFR Part 92;

(f) It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

2. Establishing an ongoing drug-free awareness program to inform employees about -

    (a) The dangers of drug abuse in the workplace;

(b) The participating jurisdiction's policy of maintaining a drug-free workplace;

(c) Any available drug counseling, rehabilitation, and employee assistance programs; and

(d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

3 Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (1);

4. Notifying the employee in the statement required by paragraph (1) that, as a condition of employment under the grant, the employee will--

(a) Abide by the terms of the statement; and

(b) Notify the employee in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

5. Notifying the agency in writing, within ten calendar days after receiving notice under paragraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking one of the following actions, within 30 calendar days of receiving notice under paragraph 4(b), with respect to any employee who is so convicted--

(a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or

(b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address. city, county, state, zip code)

Street Address.: 1424 9th Ave. County: Lewis & Clark
Mail Address.: PO Box 200545
Helena MT 59620-0545

(g) 1. No federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language or paragraph (i) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

APPENDIX B.2

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

SAMPLE FORMAT FOR PUBLIC NOTICES

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

SAMPLE FORMAT FOR PUBLIC NOTICES

The (*City Council, County Commissioners, or ______________ CHDO Board of Directors*) will hold a public hearing on (*day*), (*date*), (*time*), in the (*building*) at (*place*), for the purpose of obtaining views of the residents of the county (*or city or town*), especially low and very low income residents, regarding the community's housing needs and priorities of the (*name of local government*) for housing improvements. The (*grantee*) is considering submitting an application to the Montana Department of Commerce for a HOME Investment Partnership Program Grant, and wants to obtain public comment on the needs of the community. The Commissioners (*Council, or Planning Board*) will discuss the purpose of the HOME Program and the variety of activities eligible for funding. At the public hearing everyone will be given the opportunity to express their opinions regarding the (*city or county or grantee's jurisdiction*) needs and the type of projects which should be considered. Comments may be given orally at the hearing or submitted in writing before (*time and date*).

Anyone who would like more information or who wants to submit suggestions should contact (*person*), (*title*), (*telephone number*). A copy of the HOME Grant Application Guidelines are available for review at (*location*) during regular office hours.

APPENDIX B.3

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

MAXIMUM PER UNIT SUBSIDY LIMITS

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM

MAXIMUM PER UNIT SUBSIDY LIMITS

	BILLINGS **Zone I**	**GREAT FALLS** **Zone II**	**HELENA** **Zone III**	**MISSOULA** **Zone IV**
EFFICIENCY SUBSIDY LIMIT	44,958	44,604	44,250	44,250
1-BEDROOM SUBSIDY LIMIT	51,535	51,130	50,724	50,724
2-BEDROOM SUBSIDY LIMIT	62,667	62,173	61,680	61,680
3-BEDROOM SUBSIDY LIMIT	81,069	80,431	79,893	79,793
4-BEDROOM+ SUBSIDY LIMIT	88,989	88,288	87,588	87,588

County Zone Designations
for Maximum Per-Unit Subsidy Limits

ZONE I	**(Billings - Base City)**		
	Sweet Grass	Big Horn	Meagher
	Stillwater	Yellowstone	Gallatin
	Carbon	Park	
ZONE II	**(Great Falls - Key City)**		
	Cascade	Glacier	Toole
	Pondera	Teton	Liberty
	Hill	Musselshell	Petroleum
	Phillips	Valley	Garfield
	Custer	Powder River	Richland
	Judith Basin	Blaine	Fergus
	Wheatland	Golden Valley	Rosebud
	Treasure	Daniels	Sheridan
	Roosevelt	Fallon	McCone
	Dawson	Wibaux	
ZONE III	**(Helena - Key City)**		
	Lewis and Clark	Silver Bow	
	Jefferson	Deer Lodge	
	Broadwater	Granite	
	Madison	Powell	
	Beaverhead		
ZONE IV	**(Missoula - Key City)**		
	Sanders	Lincoln	
	Ravalli	Flathead	
	Missoula	Lake	
	Mineral		

APPENDIX B.4

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

MORTGAGE LIMITS TABLE

HOME PROGRAM
SINGLE FAMILY PURCHASE PRICE/VALUE LIMITS

AREA NAME	STATE ABBREV	COUNTY CODE	1-FAMILY LIMIT	2-FAMILY LIMIT	3-FAMILY LIMIT	4-FAMILY LIMIT
Beaverhead County	MT	001	75,500	85,050	103,350	119,250
Big Horn County	MT	003	75,500	85,050	103,350	119,250
Blaine County	MT	005	75,500	85,050	103,350	119,250
Broadwater County	MT	007	75,500	85,050	103,350	119,250
Carbon County	MT	009	75,500	85,050	103,350	119,250
Carter County	MT	011	75,500	85,050	103,350	119,250
Cascade County	MT	013	83,050	93,500	113,600	131,100
Chouteau County	MT	015	75,500	85,050	103,350	119,250
Custer County	MT	017	75,500	85,050	103,350	119,250
Daniels County	MT	019	75,500	85,050	103,350	119,250
Dawson County	MT	021	75,500	85,050	103,350	119,250
Deer Lodge County	MT	023	75,500	85,050	103,350	119,250
Fallon County	MT	025	75,500	85,050	103,350	119,250
Fergus County	MT	027	75,500	85,050	103,350	119,250
Flathead County	MT	029	75,500	85,050	103,350	134,850
Gallatin County	MT	031	85,400	96,150	116,850	119,250
Garfield County	MT	033	75,500	85,050	103,350	119,250
Glacier County	MT	035	75,500	85,050	103,350	119,250
Golden Valley County	MT	037	75,500	85,050	103,350	119,250
Granite County	MT	039	75,500	85,050	103,350	119,250
Hill County	MT	041	75,500	85,050	103,350	119,250
Jefferson County	MT	043	75,500	85,050	103,350	119,250
Judith Basin County	MT	045	75,500	85,050	103,350	119,250
Lake County	MT	047	75,500	85,050	103,350	119,250
Lewis and Clark County	MT	049	75,500	85,050	103,350	119,250
Liberty County	MT	051	75,500	85,050	103,350	119,250
Lincoln County	MT	053	75,500	85,050	103,350	119,250
Madison County	MT	055	75,500	85,050	103,350	119,250
McCone County	MT	057	75,500	85,050	103,350	119,250
Meagher County	MT	059	75,500	85,050	103,350	119,250
Mineral County	MT	061	75,500	85,050	103,350	119,250
Missoula County	MT	063	83,600	94,150	114,400	132,000
Musselshell County	MT	065	75,500	85,050	103,350	119,250
Park County	MT	067	75,500	85,050	103,350	119,250
Petroleum County	MT	069	75,500	85,050	103,350	119,250
Phillips County	MT	071	75,500	85,050	103,350	119,250
Pondera County	MT	073	75,500	85,050	103,350	119,250
Powder River County	MT	075	75,500	85,050	103,350	119,250
Powell County	MT	077	75,500	85,050	103,350	119,250
Prairie County	MT	079	75,500	85,050	103,350	119,250
Ravalli County	MT	081	75,500	85,050	103,350	119,250
Richland County	MT	083	75,500	85,050	103,350	119,250
Roosevelt County	MT	085	75,500	85,050	103,350	119,250
Rosebud County	MT	087	75,500	85,050	103,350	119,250
Sanders County	MT	089	75,500	85,050	103,350	119,250
Sheridan County	MT	091	75,500	85,050	103,350	119,250
Silver Bow County	MT	093	75,500	85,050	103,350	119,250
Stillwater County	MT	095	75,500	85,050	103,350	119,250
Sweet Grass County	MT	097	75,500	85,050	103,350	119,250
Teton County	MT	099	75,500	85,050	103,350	119,250
Toole County	MT	101	75,500	85,050	103,350	119,250
Treasure County	MT	103	75,500	85,050	103,350	119,250
Valley County	MT	105	75,500	85,050	103,350	119,250
Wheatland County	MT	107	75,500	85,050	103,350	119,250
Wibaux County	MT	109	75,500	85,050	103,350	119,250
Yellowstone County	MT	111	83,050	93,500	113,600	131,100
Yellowstone National Park	MT	113	75,500	85,050	103,350	119,250

APPENDIX B.5

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

MEDIAN INCOME LIMITS TABLE

AREA MEDIAN INCOME

COUNTY/MSA	NAME	PROGRAM	INCOME LIMITS BY HOUSEHOLD SIZE							
			1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
MSA	Billings, MT	very low-income	12700	14500	16350	18150	19600	21050	22500	23950
FY93 MEDIAN FAMILY INCOME: 36300		low-income	20350	23250	26150	29050	31350	33700	36000	38350
MSA	Great Falls, MT	very low-income	11250	12900	14500	16100	17400	18700	19950	21250
FY93 MEDIAN FAMILY INCOME: 32200		low-income	18050	20600	23200	25750	27800	29900	31950	34000
County	Beaverhead County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Big Horn County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24100		low-income	17650	20150	22700	25200	27200	29250	312500	33250
County	Blaine County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Broadwater County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Carbon County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Carter County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Chouteau County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30500		low income	17650	20150	22700	25200	27200	29250	31250	33250
County	Custer County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30700		low income	17650	20150	22700	25200	27200	29250	31250	33250
County	Daniels County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Dawson County	very low-income	11450	13100	14700	16350	17650	18950	20250	21600
FY93 MEDIAN FAMILY INCOME: 32700		low-income	18300	20950	23550	26150	28250	30350	32450	34550
County	Deer Lodge County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30800		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Fallon County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Fergus County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29800		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Flathead County	very low-income	11500	13150	14800	16450	17750	19100	20400	21700
FY93 MEDIAN FAMILY INCOME: 32900		low-income	18400	21050	23700	26300	28400	30550	32650	34750
County	Gallatin County	very low-income	12050	13750	15500	17200	18600	19950	21350	22700
FY93 MEDIAN FAMILY INCOME: 34400		low-income	19250	22000	24750	27500	29700	31900	34100	36350
County	Garfield County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Glacier County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24800		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Golden Valley County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 22900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Granite County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Hill County	very low-income	12550	14300	16100	17900	19350	20750	22200	23650
FY93 MEDIAN FAMILY INCOME: 35800		low-income	20050	22900	25800	28650	30950	33200	35500	37800
County	Jefferson County	very low-income	14800	16900	19050	21150	22850	24550	26250	27900
FY93 MEDIAN FAMILY INCOME: 42300		low-income	23700	27050	31450	33850	36550	39250	41950	44650
County	Judith Basin County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Lake County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26800		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Lewis & Clark County	very low-income	13000	14900	16750	18600	20100	21600	23050	24550
FY93 MEDIAN FAMILY INCOME: 37200		low-income	20850	23800	26800	29750	32150	34500	36900	39300
County	Liberty County	very low-income	11300	12900	14550	16150	17450	18750	20050	21300
FY93 MEDIAN FAMILY INCOME: 32300		low-income	18100	20650	23250	25850	27900	29950	32050	34100
County	Lincoln County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	McCone County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27400		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Madison County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Meagher County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800

AREA MEDIAN INCOME

COUNTY/MSA	NAME	PROGRAM	INCOME LIMITS BY HOUSEHOLD SIZE							
			1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
FY93 MEDIAN FAMILY INCOME: 25900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Mineral County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Missoula County	very low-income	12250	14000	15750	17500	18900	20300	21700	23100
FY93 MEDIAN FAMILY INCOME: 35000		low-income	19600	22400	25200	28000	30250	32500	34700	36950
County	Musselshell County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Park County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Petroleum County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Phillips County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Pondera County	very low-income	11100	12700	14250	15850	17100	18400	19650	20900
FY93 MEDIAN FAMILY INCOME: 31700		low-income	17750	20300	22800	25350	27400	29400	31450	33450
County	Powder River County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Powell County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Prairie County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23200		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Ravalli County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Richland County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Roosevelt County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 25300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Rosebud County	very low-income	13250	15100	17000	18900	20400	21900	23450	24950
FY93 MEDIAN FAMILY INCOME: 37800		low-income	21150	24200	27200	30250	32650	35100	37500	39900
County	Sanders County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Sheridan County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Silver Bow County	very low-income	11900	13600	15300	17000	18350	19700	21100	22450
FY93 MEDIAN FAMILY INCOME: 34000		low-income	19050	21750	24500	27200	29350	31550	33750	35900
County	Stillwater County	very low-income	11850	13500	15200	16900	18250	19600	20950	22300
FY93 MEDIAN FAMILY INCOME: 33800		low-income	18950	21650	24350	27050	29200	31350	33550	35700
County	Sweet Grass County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Teton County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Toole County	very low-income	11950	13700	15400	17100	18450	19850	21200	22550
FY93 MEDIAN FAMILY INCOME: 34200		low-income	19150	21900	24600	27350	29550	31750	33950	36100
County	Treasure County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Valley County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Wheatland County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Wibaux County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Yellowstone National Park	very low-income	12600	14400	16200	18000	19450	20900	22300	23750
FY93 MEDIAN FAMILY INCOME: 36000		low-income	20150	23050	25900	28800	31100	33400	35700	38000

APPENDIX B.6

HOME PROGRAM RENTS TABLE

HOME PROGRAM RENTS

COUNTY/MSA	NAME	PROGRAM	6/1/93 HOME PROGRAM RENTS EFFICIENCY	1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM	6-BDRM
MSA:	Billings, MT	FAIR MARKET RENT	384	487	550	688	771	885	1000
		50% RENT LIMIT	318	340	409	472	526	581	635
		65% RENT LIMIT	393	423	509	580	626	673	720
MSA:	Great Falls, MT	FAIR MARKET RENT	340	412	487	610	683	784	886
		50% RENT LIMIT	281	302	363	419	468	515	564
		65% RENT LIMIT	346	373	449	510	550	588	627
County:	Beaverhead	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Big Horn	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Blaine	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Broadwater	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Carbon	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Carter	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Chouteau	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Custer	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Daniels	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Dawson	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	286	307	368	425	474	523	572
		65% RENT LIMIT	353	379	457	519	559	598	638
County:	Deer Lodge	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Fallon	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Fergus	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Flathead	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	288	308	370	428	478	526	576
		65% RENT LIMIT	354	381	459	522	563	602	643
County:	Gallatin	FAIR MARKET RENT	373	460	544	673	758	875	990
		50% RENT LIMIT	301	323	388	448	499	551	602
		65% RENT LIMIT	371	399	481	547	591	634	676
County:	Garfield	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Glacier	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Golden Valley	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Granite	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Hill	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	314	336	403	466	519	573	627

HOME PROGRAM RENTS

COUNTY/MSA	NAME	PROGRAM	6/1/93 HOME PROGRAM RENTS EFFICIENCY	1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM	6-BDRM
		65% RENT LIMIT	388	416	502	571	618	662	708
County:	Jefferson	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	370	396	476	550	614	677	740
		65% RENT LIMIT	461	496	597	681	740	798	857
County:	Judith Basin	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Lake	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Lewis & Clark	FAIR MARKET RENT	388	479	564	699	790	908	1026
		50% RENT LIMIT	325	349	419	484	540	595	651
		65% RENT LIMIT	404	434	522	595	644	692	741
County:	Liberty	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	283	303	364	420	469	517	565
		65% RENT LIMIT	348	374	451	512	551	590	629
County:	Lincoln	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	McCone	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Madison	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Meagher	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Mineral	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Missoula	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	306	328	394	455	508	560	613
		65% RENT LIMIT	378	406	489	557	603	646	690
County:	Musselshell	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Park	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Petroleum	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Phillips	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Pondera	FAIR MARKET RENT	339	364	439	498	536	574	610
		50% RENT LIMIT	316	385	451	566	635	726	820
		65% RENT LIMIT	278	298	356	412	460	507	555
County:	Powder River	FAIR MARKET RENT	340	366	442	502	540	577	615
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Powell	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Prairie	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	351	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Ravalli	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Richland	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Roosevelt	FAIR MARKET RENT	316	385	451	566	635	726	820

HOME PROGRAM RENTS

COUNTY/MSA	NAME	PROGRAM	6/1/93 HOME PROGRAM RENTS EFFICIENCY	1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM	6-BDRM
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Rosebud	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	331	354	425	491	548	605	662
		65% RENT LIMIT	410	441	531	605	655	704	753
County:	Sanders	FAIR MARKET RENT	345	421	495	620	695	796	900
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Sheridan	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Silver Bow	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	298	319	383	442	493	544	595
		65% RENT LIMIT	366	394	476	540	584	625	668
County:	Stillwater	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	296	317	380	439	490	541	592
		65% RENT LIMIT	365	393	472	537	580	621	662
County:	Sweet Grass	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Teton	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Toole	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	299	321	385	444	496	547	599
		65% RENT LIMIT	369	397	478	544	588	629	673
County:	Treasure	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Valley	FAIR MARKET RENT	316	385	451	566	635	726	820
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Wheatland	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Wibaux	FAIR MARKET RENT	318	388	457	572	641	735	831
		50% RENT LIMIT	276	296	354	409	456	504	551
		65% RENT LIMIT	339	364	439	498	536	574	610
County:	Yellowstone National Park	FAIR MARKET RENT	339	412	485	607	682	780	882
		50% RENT LIMIT	315	338	405	468	523	576	630
		65% RENT LIMIT	390	419	504	574	621	667	713

HUD Rent/Income Calculations

The basis for Section 92.252 of HUD's regulations is Section 215(a)(1)(A) and (B) of the National Affordable Housing Act of 1990. The Act requires that rental housing assisted with HOME funds must: (1) qualify as "affordable housing"; and, (2) make available at least 20 percent of HOME-assisted units to Very Low Income families.

For the overall provision affecting all HOME-assisted units, "affordable housing" is defined to be housing with rents which may not exceed the lesser of:

- the HUD Section 8 Existing Fair Market Rent for the area (which is a gross rent that includes all utilities); or,

- 30 percent of the adjusted income of a family whose income equals 65 percent of the area median family income, as defined by HUD.

There is an additional affordability provision that must be met by at least 20 percent of all HOME-assisted units in each project that has at least 3 rental units. It requires that rents for at least 20 percent of HOME-assisted units must not exceed 30 percent of the income of a family whose income equals 50 percent of the area median family income, adjusted for family size, as defined by HUD. The terms "50 percent of area median family income" and "65 percent of the area median family median income" are tied to statutory provisions which link them to HUD's Very Low Income standard, which means that the income limits are not always directly based on actual area median family income estimates.

Linking rents to incomes requires making assumptions about what income limits relate to what family sizes. In the case of the 65 percent of income rent, assumptions also needed to be made about typical adjustments to income for families of different sizes to arrive at a definition of "adjusted income" that is consistent with that used in HUD's Section 8 program.

The adjustments to income used were based on HUD-assisted housing program-wide averages for families of different sizes. The basis for relating income limits, which are based on number of persons in a family, to rents, which are based on number of bedrooms per unit, was the Treasury Tax-Credit program standard.

This standard is used by HUD and the Farmers Home Administration, in part because it provides the only Congressionally mandated guidance on this matter. The two sets of adjustments used in calculations are therefore as follows:

	Efficiency	1-Bdrm	2-Bdrm	3-Bdrm	4-Bdrm	5-Bdrm	6-Bdrm
65% of Median Deductions:	$800	$800	$880	$1,360	$2,320	$3,280	$4,420
Persons/Bedroom	1.0	1.5	3.0	4.5	6.0	7.5	9.0

Example: (1993 Decatur, Alabama)

1-person Very Low Income Limit:		$12,000
2-person Very Low Income Limit:		$13,000
1-person 65% Income Limit:	$15,600	
2-person 65% Income Limit:	$17,850	

Efficiency 50% of median monthly rent =

= 1-person Very Low Income limit times 30% and divided by 12
= $12,000 times 30% divided by 12
= $300.00

Efficiency 65% of median monthly rent =

= 1-person Low Income limit minus adjustment times 30% and divided by 12
= ($15,600 - $800) times 30% divided by 12
= $370.00

For one-, three-, and five-bedroom rent calculations, the associated income limit that should be used is the average for the adjoining family sizes. For instance, the 1.5 person income limit is the average of the one- and two-person limits, and the 4.5 person limit is the average of the four- and five-person limits.

Utility Allowance: An amount that applies when the cost of utilities (except telephone) and other housing services (*e.g.*, garbage collection) for an assisted unit is not included in the rent to an owner and is instead the responsibility of the family. The allowance is an amount equal to the estimate made or approved by the Public Housing Authority of the monthly costs of a reasonable consumption of these utilities and other services for a comparable assisted size unit.

APPENDIX B.7

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

INCOME DEFINITIONS FOR THE HOME PROGRAM

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

INCOME DEFINITIONS for the HOME Program

At 24 CFR, § 92.203, HOME Participating Jurisdictions are directed to use the definitions of annual income, adjusted income, monthly income, and monthly adjusted income as defined in 24 CFR, Part 813.

ADJUSTED INCOME

At 24 CFR § 813.102:

Annual Income less the following allowances, determined in accordance with HUD instructions:

(a) $480 for each Dependent;
(b) $400 for any Elderly Family;
(c) For any Family that is not an Elderly Family but has a Handicapped or Disabled member other than the head of household or spouse, Handicapped Assistance Expenses in excess of three percent of Annual Income, but this allowance may not exceed the employment income received by Family members who are 18 years of age or older as a result of the assistance to the Handicapped or Disabled Person;
(d) For any Elderly Family
  (1) That has no Handicapped Assistance Expenses, an allowance for Medical Expenses equal to the amount by which the Medical Expenses exceed three percent of Annual Income;
  (2) That has Handicapped Assistance Expenses greater than or equal to three percent of Annual Income, an allowance for Handicapped Assistance Expenses computed in accordance with paragraph (c) of this section, plus an allowance for Medical Expenses that is equal to the Family's Medical Expenses;
  (3) That has Handicapped Assistance Expenses that are less than three percent of Annual Income, an allowance for combined Handicapped Assistance Expenses and Medical Expenses that is equal to the amount by which the sum of these expenses exceeds three percent of Annual Income; and
(e) (1) Child care expenses; or
  (2) In the case of families assisted by Indian housing authorities, the greater of:
    (i) child care expenses; or
    (ii) excessive travel expenses, not to exceed $25 per family per week, for employment or education related travel.

ANNUAL INCOME

At 24 CFR § 813.106:

(a) Annual income is the anticipated total income from all sources received by the Family head and spouse (even if temporarily absent) and by each additional member of the Family, including all net income derived from assets for the 12-month period following the effective date of certification of income, exclusive of certain types of income as provided in paragraph (c) of this section.

INCOME INCLUSIONS (Funds considered as income)

(b) Annual Income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures from amortization of capital indebtedness shall not be used as a deduction in determining net income. An Allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the Family has not Family Assets in excess of $5,000, Annual Income shall include the greater of the actual income derived from all Net Family Assets or a percentage of the value of such Assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability of death benefits and other similar types of periodic receipts, including a lump sum payment for the delayed start of a periodic payment;

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see paragraph (c)(3) of this section);

(6) Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the

Welfare Assistance agency in accordance with the actual cost of shelter and utilities, the amount of Welfare Assistance income to be included as income shall consist of:

(i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus

(ii) The maximum amount that the Welfare Assistance agency could in fact allow the Family for shelter and utilities. If the Family's Welfare Assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph (b)(6)(ii) shall be the amount resulting from one application of the percentage;

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (but see paragraph (c)(7) of this section); and

(9) Any earned income tax credit to the extent it exceeds income tax liability.

INCOME EXCLUSIONS

(c) Annual income does not include the following:

(1) Income from employment of children (including foster children) under the age of 18 years.

(2) Payments received for the care of foster children;

(3) Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (b)(5) of this section);

(4) Amounts received by the Family, that are specifically for, or in reimbursement of, the cost of medical expenses for any Family member;

(5) Income of a live-in aide, as defined in § 813.102;

(6) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income;

(7) The special pay to a Family member serving in the Armed Forces who is exposed to hostile fire;

(8) (i) Amounts received under training programs funded by HUD;

(ii) Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits

because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS); or

(iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.

(9) Temporary, nonrecurring or sporadic income (including gifts); or

(10) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937. A notice will be published in the Federal Register and distributed to PHAs and owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

(d) If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period.

APPENDIX B.8
MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

24 CFR Part 92, HOME Investment Partnerships Program, Interim Rule April 19, 1994

To be added at a later date.

APPENDIX B.9

MONTANA DEPARTMENT OF COMMERCE
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

HOME PROGRAM APPLICATION FORM

(Intentionally left out of this report)

MONTANA

COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM

DRAFT
1995 APPLICATION GUIDELINES FOR

HOUSING AND PUBLIC FACILITIES PROJECTS

MONTANA DEPARTMENT OF COMMERCE

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November 1994

INTRODUCTION

The 1995 Community Development Block Grant (CDBG) Program Application Guidelines describe the general requirements which apply to all local governments applying for CDBG funds. The guidelines also cover the special requirements and ranking criteria which will be used by the Department of Commerce (DOC) to evaluate applications for housing and public facilities projects.

The economic development component of the program is administered by the DOC Economic Development Division. The housing and public facilities categories are administered by the DOC Local Government Assistance Division. The Department publishes two sets of application guidelines: one, for the economic development category only, and the second, for the housing and public facilities categories.

For a copy of the application guidelines for economic development projects, contact:

DOC/Economic Development Division
1424 Ninth Avenue
Capitol Station
Helena, MT 59620
444-2787

For additional copies of the application guidelines for housing and public facilities projects, contact:

DOC/Local Government Assistance Division
1424 9th Avenue
Capitol Station
Helena, MT 59620
444-2488

If you have not previously worked with Montana's CDBG Program, the volume of the guidelines may, at first, seem a bit overwhelming. It is true that, because of the federal requirements involved, there is considerable "red tape" involved in applying for and administering a Community Development Block Grant; however, even very small communities have demonstrated that they can successfully complete and administer a CDBG project.

Please keep in mind that these guidelines include sections on two different types of CDBG projects: housing and public facilities. Once your community has decided on the type of project it intends to pursue, the other portions of the guidelines which do

not apply can be disregarded. The text of the guidelines also includes numerous suggestions to applicants on how to prepare a more competitive grant application.

In addition to these guidelines, the Department of Commerce has prepared a number of supplementary materials to help local officials prepare CDBG applications and comply with the various requirements. These include items such as sample income survey forms, budget forms, formats for public hearing announcements and local government resolutions, and checklists to help make sure that the application is complete. Copies of these materials will be distributed at regional application workshops or may be ordered from the Department's Local Government Assistance Division at the address and telephone number listed above. If you have any questions regarding Montana's Community Development Block Grant (CDBG) Program, don't hesitate to contact us. Seeking the affordable solution to your community's need is why this program exists. Thank you for your interest in the Montana CDBG Program.

Newell B. Anderson, Administrator
DOC/Local Government Assistance Division

November 1994

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I. BACKGROUND

The Community Development Block Grant (CDBG) Program is a federally funded grant program designed to help communities with their greatest community development needs. All projects must be designed to principally benefit low and moderate income families. The program was established by the federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the U.S. Department of Housing and Urban Development (HUD).

Nationally, the CDBG program is divided into two major categories:

1. The Entitlement CDBG Program assists communities with 50,000 or larger populations. In Montana, only Billings and Great Falls are entitlement communities; they receive CDBG funds on a formula basis and are directly under HUD administration.

2. The State CDBG Program assists communities with populations under 50,000. Allocations are established for each state on the basis of a statutory formula.

In 1981, Congress amended the federal Housing and Community Development Act to make the nonentitlement portion of the CDBG program available as an optional State-administered program. The Legislature authorized the Department of Commerce to administer the program beginning in 1982.

Overall, the CDBG awards have been matched by an equal expenditure of public and private funds, making possible millions of dollars of public and private investment reflected in construction activity and creating jobs for Montanans across the state.

Montana's total CDBG allocation for 1995 is $8,392,000, significantly higher than in past years. Beginning with the 1994 program, DOC conducted the grant competitions for public facilities and housing projects separately. Public facility applications are due June 5, 1995. Housing applications are due October 2, 1995. Grant applications for economic development projects are accepted continuously, as long as funds are available. Applications are evaluated according to the established criteria for each project category. Because of the strong demand for the funds, the Department is normally able to fund only about one-half of the applications submitted.

A summary of each of the housing and public facility projects awarded funds under the 1994 CDBG Program is included in Appendix C.7. Information regarding the projects awarded CDBG funds from 1982 to 1994 is available from the Department upon request.

II. FISCAL YEAR 1995 PROGRAM DESCRIPTION

A. PROGRAM GOAL AND OBJECTIVES

1. Goal

Consistent with Congressional intent as expressed in the federal Housing and Community Development Act, the goal of the Montana Community Development Block Grant (CDBG) Program is to develop viable communities by providing decent housing, healthful and safe living environments, and economic opportunities, principally for persons of low and moderate income.

2. National Objectives

Under the federal Housing and Community Development Act, CDBG recipients are required to "give maximum feasible priority" to activities that will:

a. benefit low and moderate income persons;

b. aid in the prevention or elimination of slums or blight; or

c. meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

In addition, the Act requires that 70 percent of a State's CDBG funds, taken as a whole, must be used for activities that principally benefit low and moderate income persons. The Montana CDBG Program has responded to this mandate by requiring that each applicant document that at least 51 percent of the non-administrative funds provided for a local CDBG project will be used for activities that are clearly designed to meet the identified needs of low and moderate income persons. Overall, Montana's CDBG Program averages over 95% benefit to low and moderate income persons, according to HUD standards.

3. State Objectives

Community development objectives for the State have been developed by DOC. **Each CDBG applicant must identify the State's community development objective(s) which its proposed project responds to.** Appendix C.1 describes the State's objectives for the Montana CDBG Program.

B. PROJECT CATEGORIES

There are three funding categories under Montana's CDBG Program:

1. economic development;

2. housing; and

3. public facilities.

Economic Development Projects

In economic development projects, the State grants a CDBG to a local government, which, in most cases, loans the funds to a private business. In return, the business commits to create a specific number of jobs, a majority of which will be made available to low and moderate income persons.

Public Facility Projects

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. **These projects must principally benefit low and moderate income persons.** Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for battered spouses or abused children, or group homes for developmentally disabled persons. Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category.

Housing Projects

The CDBG housing category is intended to rehabilitate or provide permanent, long-term housing. In housing projects, CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. Rehabilitation focuses on bringing the home up to basic code standards by improving electrical systems, plumbing, roofing, and providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. In addition, communities frequently use CDBG funds to demolish vacant, unsafe buildings or to make needed improvements in public facilities in conjunction with their housing efforts in order to revitalize blighted areas of their towns.

CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization. Housing projects can also include site improvements or provision of public facilities to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing. The clearance or acquisition of sites for use or resale for new housing and conversion of existing nonresidential structures for residential use are also eligible CDBG housing activities.

Complementary Activities

A project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to address needs appropriate to the category applied for and must represent at least two-thirds of the non-administrative project funds requested; other proposed activities should be clearly complementary to and in support of the principal activities in order to enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities, such as water, sewer, or street improvements, can be included in a housing project which primarily addresses housing rehabilitation and demolition needs because the activities support an overall neighborhood revitalization strategy and are related to the project objectives.

Examples of the types of activities which may be funded under each project category, as well as the special requirements and ranking criteria which are used to evaluate applications for each category, can be found in the separate chapters of these guidelines.

The requirements for Economic Development Projects are discussed in a separate set of application guidelines available from the DOC Economic Development Division, at the address and telephone number listed in the Introduction.

C. GRANT CEILINGS

The total amount of CDBG funds requested by an applicant (or joint applicants) must not exceed the following ceilings:

Type of Grant	Ceiling
Housing	$400,000
Public Facilities	$400,000

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with

other proposed funding sources to complete the proposed activities within 24 months from the date of the announcement of grant award by the Department. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

There are no minimum amounts required for CDBG requests. A maximum of 18% of a grant may be used for local grant administration. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a CDBG project. Communities considering relatively small requests (under $75,000) may find that the 18% allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the Department's CDBG staff to discuss their proposed project prior to submittal of the application.

D. APPLICATION DEADLINES

Deadline	Type of Grant
Public Facilities	June 5, 1995
Housing	October 2, 1995

Applications must be delivered or postmarked on or before the deadline date.

E. DISTRIBUTION OF FUNDS

1. Funds Available for the Montana CDBG Program

HUD has notified the Department of Commerce that Montana's FY 1995 CDBG allocation is $8,392,000.

The distribution of funds for Montana's CDBG Program for federal fiscal year 1995 will be as follows:

Total Fiscal Year 1995 State CDBG Allocation	$ 8,392,000
Less CDBG funds for State program administration and technical assistance to applicants and to grantees*	351,760
Amount Available for Award to Local Governments	$ 8,040,240
Less 1/3 Allocation for Economic Development Projects	2,680,080
Total Available for Housing and Public Facility Projects	$ 5,360,160
-less 1/3 Allocation for Housing Projects	$ 1,786,720
-Subtotal Available for Public Facilities Projects	$ 3,573,440

* Extensive federal regulations accompany the program. DOC will use a small portion of the State CDBG allocation for administration of the program, as established by a statutory formula. The funds will be used to supplement State resources to meet federal regulatory requirements and to support related technical assistance to applicants and grantees and project monitoring activities throughout the terms of the local projects.

Of these funds, one percent of the annual allocation, or $83,920, is specifically designated by statute to provide technical assistance to local governments and non-profit program applicants and recipients.

2. Allocation of Funds

a. 1995 Economic Development Setaside

One-third of the total amount available for new grants ($2,680,080) will be set aside to allow economic development funds to be available to applicants on a continuous basis.

For the public facilities and housing categories, in general, basic needs can be identified and planned for in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however,

when such a situation develops it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous application cycle for economic development applications is designed to meet the need for more prompt response to economic development initiatives.

b. 1995 Grant Competitions For Public Facilities and Housing Projects

For the 1995 CDBG program, separate grant competitions will be conducted for the public facilities and housing categories. In 1994, DOC made two major changes in the Montana CDBG Program:

1. the application cycles used for CDBG housing and public facilities project; and

2. the allocation of CDBG funding.

Application Cycles

Since 1982, CDBG funds for both housing and public facility projects have been awarded through a single fall competition. Beginning with the 1994 CDBG program, the Department conducted separate competitions for public facility projects and housing projects.

As a result, this earlier due date for CDBG public facility applications will coincide with the biennial application due dates for the DNRC Renewable Resource Program and the DOC Treasure State Endowment Program (TSEP).

The Department will also coordinate the annual review of applications for the CDBG housing category with applications for the DOC HOME program by having housing applications for the CDBG program due October 2, 1995 and applications for the HOME program due September 18, 1995.

Allocation of Funds

Since the grant competitions for the housing and public facility categories have been separated, it is necessary to set aside a specific amount of CDBG funds to be available for each category. For the 1995 program, the Department will allocate available CDBG funds as follows:

~ one-third of the total CDBG annual allocation would be set aside for the economic development (ED) category, as opposed to the previous twenty-five percent set aside from 1989 to 1993. This increase for economic development projects is being made in the recognition that the TSEP and HOME programs have provided increased funding

for public facilities and housing projects, while the resources for economic development have remained static in the face of increasing demand.

~ the remaining two-thirds of available funds will be allocated between housing and public facilities projects based on the long-term historical demand. As a result, the Department will allocate one-third of the remaining balance for housing projects and two-thirds for public facility projects.

Benefits

Moving the CDBG public facilities application cycle up to the same time period as TSEP and DNRC will achieve several desirable results:

- the Department can effectively create a one-stop process where all the principal state public facility funding programs can be accessed in one common time period and, to the extent possible, with common application forms and procedures. (DNRC staff have agreed to work with DOC CDBG and TSEP staff to develop common application and environmental review forms.) The competitive grant award process will assure that the limited available CDBG funds would go to the best planned projects addressing the greatest community needs while maximizing benefit to low and moderate income persons.

- in contrast to the previous review procedure, the State can use its staff resources more efficiently by providing a coordinated, concurrent review of public facility and housing applications in one concentrated time frame and eliminate duplicative, consecutive reviews of the same basic proposals. This will also make it easier for the programs to jointly package appropriate levels of financial assistance for each project.

- the Department can better accommodate the needs of communities to get an earlier start on their public facility projects to allow additional time for engineering design and for the technical reviews required by DHES of final engineering designs. Local governments will also have more time to focus their application efforts on the separate CDBG categories of housing and public facilities.

- in contrast to the present system of separate, independent reviews of public facility applications, DNRC and DOC can arrange concurrent technical evaluations for all three programs (DNRC Water Development and DOC CDBG and TSEP) to achieve a cost savings and better consistency.

- by splitting CDBG public facilities and housing projects into separate competitions, DOC can make the number of applications to be reviewed during each CDBG competition more manageable.

- the Department can commit a major portion of its CDBG funds to projects earlier in the program year, which will help DOC comply with HUD requirements to commit funds as soon as possible.

A fall HOME and CDBG housing competition creates a parallel benefit by creating a one-stop process for local governments applying for housing funds. As with the public facility programs, to the extent possible, DOC staff will try to develop similar application forms and procedures.

This proposal is offered in the spirit of "re-inventing government" to make these programs more efficient and responsive to their clients.

Applications will be ranked against other applications submitted for each grant competition for the total amount of funds allocated for that competition.

During the competitions, the final distribution of funds may be subject to shift between the public facility category and housing categories of up to 10 percent of the amount available for award to local governments at the discretion of the Director of the Department of Commerce, under the following circumstances:

- if the funds remaining in a category are insufficient to achieve adequate impact for all of the next highest ranked project or would result in unjustifiably high administrative costs relative to project impact; or
- where judgments on the overall quality of proposed projects and their consistency with the goal and objectives of the State CDBG Program would justify redistribution of funds.

3. <u>Reallocation of Funds</u>

   a. If any grantee which has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the DOC Director, consistent with these guidelines, so as to best achieve the goal and objectives of the Montana CDBG Program.

   b. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including program income which has been returned to the State, may be reallocated at the discretion of the DOC Director, consistent with the current adopted Application Guidelines, in order to best achieve the goal and objectives of the Montana CDBG Program.

c. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD encourages the State to have at least 95% of its total annual grant allocation awarded and under contract within fifteen months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award.

If after ten months from the date of the award of the State's annual CDBG allocation, the DOC does not have at least 95% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked eligible, but unfunded, applications from the CDBG grant competitions for public facilities projects or housing, in order to achieve these goals.

4. <u>Estimate of Funds to Benefit Low and Moderate Income Persons</u>

The federal Housing and Community Development Act requires that the State estimate the amount of CDBG funds proposed to be used for activities that will benefit low and moderate income persons, excluding administrative costs.

In keeping with Congressional intent for the program, all CDBG applications must document, as a threshold requirement, that at least 51 percent of the non-administrative funds requested for a CDBG project are clearly designed to meet the needs of low and moderate income families. As a result, according to HUD guidelines for calculating benefit, approximately 95% of the funds granted to Montana communities from 1982-1994 are considered to be principally benefiting low and moderate income families. Therefore, based on past experience, the DOC estimates that not less than 95% of the non-administrative CDBG funds awarded through the FY 1995 Montana CDBG program for local projects will be used to benefit low and moderate income persons.

DOC's estimate of funds to be used to benefit low and moderate income persons is based upon the following calculations:

Total estimated CDBG funds available for award to local governments

Total estimated CDBG funds available for award to local governments	$ 8,040,240
Less 18% maximum potential permitted for local project administration	1,447,243
Subtotal	$ 6,592,997
Multiplied by projected 95 percent benefit for low and moderate income persons (95% X $6,592,997) =	$ 6,263,347

Thus, DOC estimates that not less than $6,263,347 of Montana's fiscal year 1995 CDBG allocation will be used to benefit low and moderate income persons. Based on past experience, the actual amount will likely be higher since local projects, in the aggregate, average far less than 18% overall for project administration.

III. GENERAL REQUIREMENTS FOR HOUSING AND PUBLIC FACILITIES APPLICATIONS

In order to be eligible for an award of CDBG funds, applicants must comply with the following requirements. Local officials having any concerns or questions regarding these requirements should contact the DOC Local Government Assistance Division, for guidance as early as possible in the process of preparing an application.

A. ELIGIBLE APPLICANTS

Under federal law, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Special purpose agencies such as local economic development corporations, housing authorities, or water or sewer districts, are not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if a local government agrees to such an arrangement. Water or sewer users associations, because they are private nongovernmental entities, and districts formed as Rural Special Improvement Districts (RSIDs), must first be established as county water or sewer districts (pursuant to Title 7, Chapter 13, Parts 22 and 23, MCA) before making an application for CDBG funds through a county government.

1. <u>County Applications</u>

For projects proposed to resolve problems in the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to benefit all county residents, including those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same category of community need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. For example, a county can apply for a project which would provide public facilities for two unincorporated communities or a project which would conduct housing rehabilitation activities in two unincorporated communities. If considering such a project, the applicant county would want to be sure that the

involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities; if not, the entire application could be less competitive.

2. Municipal Applications

For projects proposed to resolve problems within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a solid waste disposal site or a water or sewage treatment facility. A municipality may also apply for a project which is located outside the city's jurisdiction if it can provide adequate assurances that the project area will be annexed within the term of the CDBG project.

3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

a. the problem to be addressed lies in an area of contiguous jurisdictions;

b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and

c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the due date for applications.

The eligible local governments involved must each meet the threshold requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and, should the application be awarded funds, for administrative and financial management during the term of the CDBG project. The local government designated as the lead applicant will be ineligible to apply for another grant during the same grant competition. The maximum grant ceiling of $400,000 per project applies to all joint applications as well.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

B. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT

Unless otherwise prohibited by the provisions of section D below, each eligible local government jurisdiction may submit one application to the spring grant competition for public facility projects and one application to the fall grant competition for housing projects.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation. Applications for city and county jurisdictions must conform to the requirements for municipal and county applications set out in section A., Eligible Applicants.

C. NUMBER OF GRANT AWARDS PERMITTED PER JURISDICTION

During any program year, a local government jurisdiction may be awarded a maximum of two grants, one from the public facilities category and one from the housing category.

D. RE-APPLICATION

NOTE: Because of increasing pressure from HUD and Congress to expedite the expenditure of CDBG funds and the completion of CDBG projects, DOC is returning to an earlier system for determining eligibility for reapplication based upon the percentage of completion based on the fiscal year of grant award. This system provides a strong incentive for CDBG recipients to complete their projects in a timely manner.

1. A previous recipient of a CDBG award under either the housing or public facility category is not eligible to reapply <u>for the same category</u> until the following conditions have been met:

   <u>Fiscal Year 1994 grantees</u> - CDBG non-administrative funds 75% drawn down or activities completed by the date of application.

   <u>Fiscal Year 1993 grantees</u> - CDBG non-administrative funds 90% drawn down or activities completed by the date of application.

   <u>Fiscal Year 1992 grantees</u> - CDBG non-administrative funds 100% expended, project completion report submitted and audit scheduled by the date of application.

Fiscal Year 1991 grantees and all earlier years - Project closed out (conditional or final) by the date of application.

2. The local government is in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce under either the public facility or housing category; and

3. There are no specific unresolved audit or monitoring findings directly related to any previous CDBG grant awarded to the local government.

E. COMMUNITY DEVELOPMENT NEEDS ASSESSMENT

The federal Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs." It also requires public hearings to obtain citizen views including the development of needs and the review of proposed activities.

Each applicant must include a description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income, who are residents of areas in which CDBG funds are proposed to be used;

2. The applicant's short-term and long-term community development needs for economic development, housing, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs;

3. The planned activities to be undertaken to meet the identified needs; and

4. The rationale for selecting the proposed CDBG project.

A summary of the applicant's community development needs assessment should be incorporated as part of the applicant's response to the "Project Planning and Selection" ranking criterion established for housing and public facilities categories.

There is no one recommended procedure for preparing a community development needs assessment. Under the federal Housing and Community Development Act, applicants must identify community development and housing needs and specify both

long-term and short-term objectives. This requirement was intended by Congress to be an abbreviated planning process in order to promote better coordinated strategies for addressing local needs, particularly as they affect low and moderate income persons. **It is not intended to duplicate the ongoing comprehensive planning programs already established by many Montana communities.** To the contrary, as an initial step in the needs assessment process, the Department of Commerce encourages applicants to review their existing comprehensive plan and community development priorities. DOC discourages stand-alone, CDBG-specific needs assessment processes or community surveys which are not coordinated with a community's existing comprehensive planning program. The needs assessment requirement can also provide an opportunity to review existing capital improvements, economic development, or housing plans, to determine if they still adequately reflect current conditions, needs, and community priorities. **For further guidance, applicants should review the Department of Commerce guidelines, The Community Development Needs Assessment Process.**

F. CITIZEN PARTICIPATION

The federal Housing and Community Development Act places strong emphasis on involving the public in the preparation of CDBG applications and in the implementation of CDBG projects. It requires the Department of Commerce to adopt "a detailed Citizen Participation Plan." In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan. Montana's CDBG Citizen Participation Plan is included in Appendix C.2. The certification required of applicants for CDBG funds is included in Appendix C.4, CDBG Certifications for Application.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities

for economic development, housing and public facilities, including the needs of low and moderate income persons. The purpose of the first public hearing is to give citizens an opportunity to propose projects before the local government makes a decision regarding what project it will apply for. **The first public hearing must be held not more than twelve months prior to the date of application.**

The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's proposed CDBG project, before it is submitted. **The second public hearing must be held not more than two months prior to the date of application.**

Formal public notice must be provided before public hearings are held. Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. Where possible, notice should also be directed to persons of low and moderate income or those persons who will benefit from or be affected by CDBG activities and/or groups representing low and moderate income persons.

Hearings must be held at times and locations convenient to potential beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, federal law requires that arrangements be made to have an interpreter present.

Applicants should refer to Appendix C.2 for more information on CDBG citizen participation requirements.

G. ELIGIBLE ACTIVITIES

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974, Section 105(a), as amended through October 28, 1992. These eligible activities pertaining to the housing and public facilities categories are summarized in Appendix C.3.

Suggestions for Applicants

In most cases the question of the eligibility of an activity is clear-cut and can be resolved by contacting the DOC CDBG staff. Some activities may involve special conditions imposed by federal law or regulations.

In selecting activities for a CDBG application, communities should be aware that the fact that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system incorporated in the Montana CDBG Program. Any project under consideration for a CDBG application should be compared against the ranking criteria for that category before a decision is made to prepare an application. If you have questions regarding the eligibility of, or special requirements which may apply to, a particular project or activity under consideration in your community, contact the DOC CDBG staff for guidance.

H. BENEFIT TO LOW AND MODERATE INCOME PERSONS

Each applicant must document in its application that a minimum of 51 percent of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area. Applicants must also demonstrate that any activities proposed will not benefit moderate income persons in a manner which would exclude or discriminate against low income persons.

Under the federal Housing and Community Development Act, "low and moderate income" is based on the higher of either:

- 80% of the median income for the county in which the project would be located; or

- 80% of the median income for the entire nonmetropolitan area of the State (all of Montana, excluding Billings and Great Falls).

The applicable higher amount is already incorporated in the current income guidelines for Montana counties which appear in the current edition of the DOC publication, Guidelines for Documenting Benefit to Low and Moderate Income Persons.

Compliance with the benefit to low and moderate income requirement is calculated on an activity-by-activity basis. The following general guidelines can be used to determine, which projects or activities will be considered as principally benefiting low and moderate income households:

- the project has income eligibility requirements that limit the benefits of the activity to low and moderate income persons, such as housing rehabilitation assistance which is provided only to low or moderate income families or the payment of assessments levied against properties owned by low or moderate income families as part of a public facilities project; or

- the project serves an area where at least 51 percent of the residents are low and moderate income persons and provides services for such persons, such as a water project for a lower income neighborhood; or

- the project involves facilities designed for use predominately by low and moderate income persons (e.g., a senior center or Head Start Center).

Applicants proposing to use CDBG funds for areawide activities (such as a community-wide public facility project) must provide income data to demonstrate that at least 51 percent of the persons who would benefit from CDBG assistance have low or moderate incomes.

Applicants intending to conduct local surveys of household income must utilize the appropriate income levels established for their county. Applicants must follow the current edition of the DOC Guidelines for Documenting Benefit to Low and Moderate Income Persons which provides further explanation of the federal requirements governing benefit to low and moderate income. **The survey methodology must be described and a copy of the survey form with a composite summary of all responses must be submitted with the CDBG application.** (Copies are available from DOC.) An applicant's failure to assure a statistically valid and sufficiently random sample for a local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to low and moderate income persons during the application review process.

I. BUDGET

Each applicant must submit a project budget, using a DOC CDBG budget form. CDBG grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within a 24 month period. (Budget forms and guidance on budgeting are available from DOC.)

The total budget of any proposed CDBG project should be divided between "activity costs" (such as "public facilities construction" or "housing rehabilitation") and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local project audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. If other sources of funds are needed to complete the project, the status

of these funds, when they will be available, and how they will be coordinated with CDBG funds should also be described.

Administrative costs must be appropriate to assure cost-effective management of the project being undertaken. Any proposed administrative costs must be eligible, fully supported and explained. In no case may the administrative budget for the grant exceed 18 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

Under no circumstances are costs incurred prior to award of the grant (such as fees for preparing an application, community survey; or needs assessment; costs associated with conducting a local survey, and preliminary engineering studies) eligible for reimbursement in the event of a grant award.

For public facility projects, line items for construction contingencies should not exceed ten percent of the estimated construction cost.

Suggestions for Applicants

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of project proposed.
- assuring compliance with State and federal requirements;
- preparation of reports;
- bookkeeping;
- legal services;
- travel for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- engineering design;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- construction inspections; and
- audit.

The Department recommends that applicants budget from $2,000 to $3,000 for final project audit. Applicants should also budget up to $1,500 for technical assistance from the DOC Local Government Services Bureau in establishing their financial management system for project funds, unless they have recently been a recent grant recipient under the State CDBG Program and have already received this assistance.

J. PUBLIC OR PRIVATE SECTOR COMMITMENTS

If public or private sector resources are to be involved in a proposed CDBG project, the applicant must provide evidence of the firm commitment of these resources. Such commitments should be binding, contingent only upon the award of CDBG funds for the project.

Grant recipients which will require private, or local, State or federal public resources, in addition to CDBG funds, to implement a proposed CDBG project must have completed, within six months of the date of the announcement of the tentative grant award by the DOC, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated.

No CDBG funds will be released to grant recipients until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

In documenting a public sector commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency must be documented by a letter of commitment from the agency involved. The commitment of funds or resources may be made contingent upon the award of CDBG funds for the project.

In documenting a private sector commitment, the private party must specify the amount of the commitment and use of the funds. The commitment must be documented by a letter of commitment from the private participant. The commitment of resources may be made contingent upon the award of CDBG funds for the project. If any portion of the activity is to be self-financed, the private participating party must provide evidence of its financial capability through a corporate or personal financial statement or through other appropriate means.

K. PROGRAM INCOME FROM HOUSING AND PUBLIC FACILITY PROJECTS

NOTE: The following discussion of program income does not apply to economic development projects.

"Program income" is any income earned by either a recipient or subrecipient from CDBG supported activities such as repayments of principal and interest from loans for housing rehabilitation and, if authorized by DOC may be retained at the local level to be used for community development activities eligible under the CDBG program. An applicant requesting to retain program income from housing projects must submit, with its application, a plan for the ongoing use and financial administration of any program income.

DOC has the option of establishing a grant condition which requires a grantee to return any program income to the State. The Department would then use the program income returned to the State to fund additional local CDBG projects. HUD regulations provide that the Department must waive this condition "to the extent such income is applied to continue the activity from which such income was derived." The Department's decision to permit a grantee to retain program income from housing projects will be determined based upon the adequacy of the proposed plan for the use and administration of program income submitted as part of the grant application.

Federal regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support CDBG eligible activities or spent on costs budgeted for CDBG funds before the grantee can request an additional drawdown of funds from its CDBG project account. The receipt and expenditure of program income must be recorded as part of the financial transactions of the CDBG program. Program income funds received before grant closeout must further be treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

If DOC authorizes a grantee to retain program income, any program income received after project completion and grant closeout may be utilized by the grantee for additional CDBG eligible activities that benefit at least 51 percent low and moderate income persons, according to the terms of the grant closeout agreement. Communities utilizing program income must maintain current information regarding their use of the funds including the following:

- sources of program income, including interest earned;
- dates and amounts of program income deposits and disbursements; and
- a description of the activities funded with program income.

A summary of this information must be submitted with a grant application by any community which has been receiving program income from a previous CDBG project.

New Federal Program Income Regulations

Under federal requirements which became effective October 28, 1992, program income generated at the local level **before and after** close-out must continue to be used in accordance with the provisions of Title 1 of the federal Housing and Community Development Act. Therefore, all CDBG regulations and requirements that applied during the term of the project will apply to the program income before and after close-out. Such program income will have to be tracked and reported to states as long as program income continues to be generated. However, there is an exception.

Under the amended regulations, after project close-out for the years 1993 and later, $10,000 per year of program income, per grantee, is excluded from the definition of program income. The grantee will be free to use this excluded amount for any general government purpose. The DOC will determine the commencement date of the first one-year period.

To address the new federal requirements, the DOC is in the process of establishing new guidelines for local government grantees that retain and use program income. The guidelines will focus on state oversight and local government management and accountability for program income and revolving loans. These new guidelines will be available in January, 1995.

L. DOCUMENTATION

Each applicant should identify the source of supporting data for any statements made in the application. **If local research was conducted to support the application, such as a survey of housing conditions or income levels, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.**

In order to provide common standards for comparison between communities, applicants must utilize the current DOC model formats available for income and housing condition surveys. The applicant may use a survey conducted previously if it conforms to current DOC guidelines and still accurately reflects local conditions. Applicants for the public facilities category must complete the CDBG Public Facilities Financial Information Form.

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. The lack

of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for the Department to re-rank an application, and, if necessary, to withdraw a tentative grant award.

M. MAPS

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area. Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants should submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible when combined.

a. Political Jurisdiction Map

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction;
- the project's location within the jurisdiction; and
- if applicable, the service area of the project.

b. Project Area Map

The map of the proposed project area must identify:

- the boundaries of the project area;
- the locations of all proposed activities such as land to be acquired, buildings to be demolished, streets or water lines to be reconstructed, and blocks where housing will be rehabilitated; and
- the boundaries of any 100 year floodplain designated by the Federal Emergency Management Agency.

All project activities must take place within the project area boundaries, unless specifically authorized by DOC.

Maps identifying the enumeration districts within each county may be ordered from the Census and Economic Information Center, Montana Department of Commerce, Capitol Station, Helena, Montana 59620, (Telephone 444-2896). Microfiche copies

of the county enumeration district maps are available free; paper copies of the maps may be purchased.

Maps of Montana's counties, cities and towns can also be ordered from the Data Collection and Analysis Section, Montana Department of Transportation, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119) .

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Water Operations Bureau, 1520 East Sixth Avenue, Helena, Montana 59620 (Telephone 444-6654).

N. CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed CDBG project, if selected for funding. The major federal requirements are set out in Appendix C.4 (the CDBG Certifications for Application). A copy of the Certifications for Application signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the application for CDBG funds.

Applicants should carefully review these requirements and consider their potential impact when designing their CDBG project. These laws cover a wide range of issues including environmental impacts, labor standards, employment practices, financial management, and civil rights, many of which can have an affect on the costs or complexity of project administration. Communities with questions regarding any of these requirements and their potential impact on the project being considered should contact the DOC CDBG staff for guidance.

O. RESOLUTION TO AUTHORIZE APPLICATION

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix C.4); and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Sample formats for this resolution are available from the DOC.

The DOC will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

P. PROJECT MANAGEMENT

As part of its application, each applicant must submit information which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities;

2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;

3. includes a quarterly schedule for project implementation which identifies the timeframes for major activities and expenditures and the coordination of non-CDBG resources for the project;

4. addresses potential environmental concerns; and

5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available. The applicant must demonstrate adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing within 24 months of grant award. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, DOC may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration

by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. **In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.**

Q. ENVIRONMENTAL IMPACT

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being planned in order to avoid problems which could create delays, add to construction costs, or even prevent a project from being implemented.

Appendix C.4 (Certifications for Application) contains a listing of the major federal environmental statutes and regulations which will apply to all CDBG funded projects. In addition, a form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from DOC to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact DOC for guidance in advance of submitting their application for CDBG funds.

R. DISPLACEMENT

The federal Housing and Community Development Act requires each State to minimize the displacement of persons which may occur as a result of activities assisted with CDBG funds. HUD regulations require that if any CDBG activity could result in displacement, the grantee must adopt a plan for minimizing displacement of persons and mitigating any adverse effects of displacement on low and moderate income persons. CDBG grantees must provide reasonable benefits and relocation assistance to any person involuntarily and permanently displaced as a result of the use of CDBG funds to acquire or substantially rehabilitate property, including businesses. In addition, HUD requires that grantees provide reasonable benefits to persons displaced as a result of the use of CDBG funds in cases which are not governed by the Uniform Relocation Act.

The Act also requires the DOC "to adopt a residential antidisplacement and relocation assistance plan." In order to receive CDBG funds, grant recipients must certify that they are following the plan. This certification is included in the Certifications for

Application (Appendix C.4) that each applicant must sign and submit with the CDBG application. Montana's Antidisplacement and Relocation Assistance Plan is included in Appendix C.5.

The act prohibits the use of CDBG funds to displace low or moderate income persons or demolish vacant habitable dwelling units, unless the grant recipient provides replacement housing and pays relocation costs. Replacement housing must be of equal value, be in standard condition, and reasonably expected to be available to low and moderate income persons for ten years.

The one-for-one replacement unit requirement can be waived only if it can be demonstrated that the area has enough vacant habitable and affordable housing for the affected households. However, grant recipients still have to cover all relocation costs and offer a HUD Section 8 housing voucher or certificate or pay subsidies to hold the cost of housing for any displaced household at no more than thirty percent of their gross income, for a period of five years.

Communities planning CDBG projects which may involve displacement of local residents or businesses, should contact DOC for guidance on the federal requirements which will apply.

S. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "fair market value". As an alternative, "voluntary" acquisition procedures containing fewer steps can be undertaken if the local government agrees to waive its right of eminent domain in the event negotiations fail to result in a mutually acceptable agreement. Local governments having any questions regarding acquisition of real estate should contact DOC for further guidance.

IV. APPLICATION EVALUATION AND RANKING

Because of the serious problems faced by Montana communities, the demand for CDBG funds has always far exceeded the amount available. Because the program is so competitive, an application ranking procedure has been developed to provide an objective means to evaluate the degree to which a proposed project responds to the criteria for its type of project. The housing and public facilities categories use different ranking criteria in order to provide measures which are appropriate to each type of project.

The purpose of the CDBG ranking process is to assist in the award of the State's limited CDBG funds to the community projects which, overall, best respond to the requirements and objectives of Montana's CDBG Program. Applications for each grant category will be evaluated by applying the ranking criteria to proposed project activities. These criteria have been established to identify projects which are well planned and most clearly further State and national objectives for the CDBG program. Applications will be evaluated against others competing in the same category. The assignment of points provides a means to objectively rank the projects in order of quality and will be done in a manner that is accountable to the criteria in the guidelines. The point weights also provide a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

A. SELECTION OF APPROPRIATE GRANT CATEGORY

The selection of the appropriate grant category is the applicant's responsibility. If an application is submitted under an inappropriate category, DOC reserves the right to review it under the proper category, whether as part of the spring public facility competition or fall housing competition. If it is determined that it is necessary to change the category of an application, the applicant will be notified. Local officials having any concern or questions regarding the proper category for the CDBG project they are considering should contact the DOC for guidance as early as possible in the process of preparing an application.

Any project under consideration for a CDBG application should be compared against the ranking criteria for the appropriate grant category. Not all the criteria in each category are of equal importance. Each criterion has been assigned a number representing its relative priority or weight. By reviewing the criteria and weight in potential points assigned to them, applicants should have a better sense of the major issues involved in designing a competitive proposal and the relative effort which should be devoted to responding to each criterion. Any person with a question or concern regarding any of the ranking criteria should contact the Department's CDBG staff prior to application.

The individual applications submitted under each project category will vary depending upon the project activities proposed, the size and character of the municipality or county applying, and each applicant's unique response to its own particular community's specific needs. Because no purely quantitative measures exist which can anticipate the variety of potential community development needs and all responses to them, the ranking must be, in part, subjective. In evaluating the applications, DOC will take into account not only how well each applicant addresses the problems it has defined, but also how its problems and response compare with those of other applicants in the same grant category.

B. RANKING PROCEDURES

Upon submission, DOC CDBG staff will review each application for completeness and for conformance to federal and State CDBG requirements. An application may be disqualified from a scheduled grant competition if it fails to comply with a general requirement applicable to all CDBG applications or a special requirement for the grant category applied for. Disqualified applicants will be notified in writing of the reason for disqualification.

Applicants are expected to keep DOC informed of any developments during the review process which could affect the viability of the proposed project. DOC may contact the applicant to obtain omitted information, to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams for each project category will be appointed from State agency staff. Applications will be evaluated by the ranking teams using the appropriate criteria and numerical point systems described in these CDBG application guidelines. The ranking teams will serve in an advisory capacity to the DOC Director regarding the applications that should be considered for CDBG awards.

DOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. DOC will provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. In making their evaluations the ranking teams may seek the expertise of outside technical authorities, such as staff from the Department of Health and Environmental Sciences. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application.

After reviewing each application and any technical review comments, the ranking team will assess the degree to which the proposed project responds to each of the applicable criteria. Scores will be assigned according to the point values established for the criteria. A failure to respond to a criterion will result in no points being

awarded for that criterion. If the ranking team determines that the applicant has inadequately documented specific statements or claims made in responding to a criterion, it may assign the application a lower score than would otherwise have been assigned based on the statement or claim itself. Likewise, numerical or percentage claims will be accepted and considered valid only to the extent to which they are clearly substantiated by accompanying documentation.

Because each application must stand or fall according to its intrinsic merits, representatives of applicants will not participate in the application review and ranking process.

The ranking teams will submit their written findings and recommendations for grant awards to the DOC Director for his consideration, based upon the order of scores assigned by the ranking teams for the applicants in each category. The final decision on grant awards will be made by the Director. In the event that the Director revises any of the scores assigned by the ranking teams or selects an application for award other than those recommended by the ranking teams, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of awards will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, projects will be selected on the basis of the Director's judgment of the overall quality of the proposed projects and their consistency with the goal and objectives of the Montana CDBG Program.

C. SPECIAL REQUIREMENTS AND RANKING CRITERIA

The special requirements for each grant category which must be met in order for an applicant to be eligible for an award of CDBG funds, as well as the ranking criteria applicable to each grant category are set out in separate chapters of these guidelines:

Chapter V - Housing and Neighborhood Revitalization Projects

Chapter VI - Public Facilities Projects.

Each category has its own set of special requirements and ranking criteria which are used to rank projects applying under that category.

V. HOUSING AND NEIGHBORHOOD REVITALIZATION PROJECTS

Note: This chapter covers the special requirements and ranking criteria which are applicable to CDBG housing and neighborhood revitalization applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applications, which describe the general requirements and policies which are applicable to all applications for CDBG funds.

A. INTRODUCTION AND INTENT

The CDBG housing and neighborhood revitalization category is intended to rehabilitate or provide permanent, long-term housing. In addition, one of the original objectives of the federal Housing and Community Development Act of 1974 was not only to improve housing conditions, but to combat neighborhood deterioration and community blight. The CDBG housing and neighborhood revitalization category is intended to be used to comprehensively address substandard housing conditions, inadequate supply of affordable low and moderate income housing, and conditions causing community blight.

<u>Projects designed to provide temporary, short-term housing facilities (for example, transitional housing, homeless shelters, emergency shelters) must be submitted fall under the public facilities category</u>.

The housing and neighborhood revitalization grant category allows a variety of activities which can be directed toward improving or preserving residential areas and providing decent, safe, and sanitary housing for low and moderate income families. Of all the three basic types of projects, housing and neighborhood revitalization projects normally provide the highest degree of benefit to low and moderate income families. They can create the most direct and dramatic visual impact upon a community by improving the quality of homes and removing blighting influences from local neighborhoods. They can also create a significant financial impact upon local communities by providing employment for local contractors and sales for building materials suppliers. In addition, a community can establish a revolving loan fund with repayments from loans it can make with its initial CDBG grant to make additional housing rehabilitation loans or public improvements in the future.

Types of housing and neighborhood revitalization activities:

<u>Housing Rehabilitation and Neighborhood Revitalization</u>

Housing rehabilitation projects focus on bringing housing units up to basic code standards by improving electrical systems, plumbing, and roofing, providing for energy conservation measures such as installation of adequate insulation or

energy-efficient furnaces, doors, and windows. CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. CDBG funds are also frequently loaned to landlords to allow them to rehabilitate rental units which will be rented to low or moderate income families.

CDBG recipients have developed a variety of funding mechanisms to increase the amount of funds available for housing rehabilitation loans by getting local lenders involved in CDBG projects and by encouraging the use of direct low-interest loans to homeowners, rather than grants. HUD has strongly supported these "public-private partnerships" and efforts to "leverage" private investment and other public funds in housing rehabilitation through the use of CDBG funds to "buy down" private sector loans to the point where they would be affordable to low and moderate income homeowners. Programs which involve local lenders or direct loans from the local government do not have to be overly complex to be successful and are within the administrative capacity of most small communities.

To address neighborhood revitalization, local governments are also encouraged to consider complementary activities such as neighborhood clean-up, fix-up activities; water, sewer, and street improvements; or other related activities depending on local conditions that would maintain and enhance overall appearance and safety, neighborhood pride, and property values within the surrounding neighborhood or community.

Demolition

Communities frequently use CDBG funds to demolish vacant unsafe buildings in order to encourage overall revitalization of the neighborhood selected for housing activities.

New Construction

In developing grant proposals, local governments are encouraged to consider those housing activities which will increase the supply of decent, affordable housing units. CDBG funds can be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization.

Other New Housing-Related Activities

Housing projects can include the acquisition, clearance, or rehabilitation of sites for use or resale for new housing; site improvements to publicly-owned land or

land owned by a non-profit corporation to be used or sold for new housing; or, conversion of existing nonresidential structures for residential use.

Public Facilities and Site Improvements Related to Housing

Communities can use CDBG funds to construct or rehabilitate complementary public facilities, such as water and sewer lines, or undertake other site improvements related to housing, as part of an overall housing effort to encourage neighborhood revitalization or promote the creation of new, affordable housing.

Homebuyer Assistance

Homebuyer assistance to expand homeownership among low and moderate income persons is also an eligible CDBG housing activity. These activities include the subsidy of interest rates and mortgage amounts for low and moderate income homebuyers, financing the acquisition of housing that is occupied by the homebuyers, providing up to 50 percent of any down payment required, or paying reasonable closing costs. (Details are described in Appendix C.3, Summary of Eligible Activities, Section 105(a).)

B. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING HOUSING REHABILITATION AND NEIGHBORHOOD REVITALIZATION

In addition to the general requirements which are applicable to all CDBG projects, applicants for a housing rehabilitation and neighborhood revitalization grant must meet the following special requirements in order to be eligible for an award of CDBG funds.

1. Structural Condition Surveys and Maps

In order to provide a common standard to allow for comparison between communities, DOC has prepared a model structural condition survey form. Applicants planning to conduct a local survey must use the DOC form. Copies are available upon request from DOC.

Applications for housing rehabilitation and neighborhood revitalization grants must include a map depicting the structural condition of housing units and other buildings within the proposed project area.

The map should graphically represent the results of the local housing survey by indicating the location and condition of all structures in the proposed project area, including:

- Standard housing units;
- Moderately substandard housing units;
- Substantially substandard housing units;
- Severely substandard housing units (appropriate for demolition), and
- Vacant housing units among the above categories.

The general condition of nonresidential structures and land uses within the proposed project area must also be described, as well as any significant blighting features in the area.

2. Housing Data Summary Form

In addition to the structural condition survey and maps, applicants proposing housing rehabilitation must also complete the Housing Data Summary Form, available from DOC. The Housing Data Summary Form addresses most areas pertinent to evaluations of applications described in this chapter. This form is used to present data specific to housing conditions within the designated housing project area.

3. Targeting of Housing and Neighborhood Rehabilitation Projects

Local governments may choose to direct or "target" a housing rehabilitation and neighborhood revitalization project towards a single concentrated area of high need in order to assure adequate recognizable impact. For small communities, the most appropriate project area may be the entire community. All project activities would take place within the project area boundaries unless specifically approved by DOC.

Local governments may also propose "non-traditional" kinds of housing rehabilitation and neighborhood revitalization activities. Rather than choosing to address a limited geographic project area, applicants may incorporate a "scattered site" approach based upon other methods of "targeting" housing rehabilitation and community revitalization activities. Examples would be "targeting" assistance to meet the housing rehabilitation needs of a particular low and moderate income group, such as extremely low income persons, elderly, or handicapped persons, and still achieve a recognizable impact within the community. As part of an overall strategy, applicants may also choose to target funds for the rehabilitation of highly visible, deteriorated housing units owned and occupied by low and moderate income persons. Applicants may also propose to target the removal of highly visible, most deteriorated vacant structures or other blighting influences.

4. Code and Standards Enforcement

"Rehabilitation" includes using CDBG funds to make repairs to substandard residential structures to make them meet or exceed requirements contained in current editions of the following:

- HUD Section 8 Housing Quality Standards;
- HUD Cost-Effective Energy Conservation Standards (CEECS);
- National Electrical Code, as amended;
- Uniform Plumbing Code, as amended;
- Uniform Mechanical Code;
- Uniform Building Code
- CABO (Council of American Building Officials) One and Two Family Dwelling Code, as amended; and
- Any locally adopted codes, such as the Uniform Code for the Abatement of Dangerous Buildings, as amended.

The Montana CDBG Program utilizes the definition of "substandard buildings" contained in the latest authorized edition of the Uniform Housing Code published by the International Conference of Building Officials. This information is available from DOC. Copies of the HUD Section 8 Housing Quality Standards and CEECS are also available from the Department.

Permits must be obtained from DOC's Building Codes Bureau for all electrical and/or plumbing work undertaken with CDBG funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, permits will be obtained locally. In addition, in those cases where the grant recipient has **not** been certified by the Building Codes Bureau, permits must be obtained from the Bureau for general building and mechanical work when rehabilitation involves structures with five or more units, or any commercial or public buildings.

Grantees will be responsible for assuring that such work is inspected by proper authorities. Options to provide code inspection may include interlocal agreements with governments with existing building departments, arrangements with DOC's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence local governments are encouraged to utilize the

services of a separate individual to perform inspection services. All electrical and/or plumbing work not done by the owner of a single family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

In responding to the "Project Management" ranking criterion, applicants must include a description of their plan to ensure enforcement of the applicable federal and State housing building standards listed above for the housing units to be assisted with CDBG funds.

5. Year-around Occupancy

Housing to be rehabilitated with CDBG assistance must be intended for year-round occupancy by low and moderate income families.

6. Affordability of Rents and Loan Repayments

a. Rents

HUD regulations require that in order for the rehabilitation of multi-unit structures to qualify as benefiting low and moderate income persons, "...the units must be occupied by low and moderate income persons at affordable rents."

Grantees have the option of either establishing their own schedules for affordable rents, or utilizing rent schedules not to exceed the current edition of the HUD "Section 8 Existing Fair Market Rents". This standard specifies maximum rents (including utility costs) by bedroom size, by county, for units available on the open market which already meet decent, safe, and sanitary criteria under federal guidelines, and do not require rehabilitation.

HUD's Fair Market Rents are adopted for the HUD Section 8 Program which provides housing for low and moderate income families that cannot afford to pay the prevailing rents in a community. The HUD Fair Market Rents are based on the availability of federal rent subsidies for the families participating in the Section 8 program. Because of this the rents are sometimes higher than market rates. The use of the HUD Section 8 Existing Fair Market Rents to set ceilings on rental units rehabilitated with CDBG funds (for which no rent subsidy is available) could result in establishing maximum rental rates which may not be affordable to low and moderate income families.

As an alternative, grant recipients are encouraged to establish their own schedules of affordable rents based on actual surveys of prevailing rents in the community for various bedroom sizes of rental units. Consistent with existing policy for other HUD-assisted housing programs, DOC recommends that locally adopted affordable rent schedules be established on the basis of not more than 85% of estimated typical rents

in the community, according to the number of bedrooms per rental unit. According to HUD, "the 85 percent figure represents the lowest rent range at which a supply of standard quality units is normally available."

b. Loan Repayments

Where rehabilitation assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the total of the principal and interest, property taxes and insurance (or 35% if the average cost of monthly utilities is included). Local governments have the option of establishing lower standards or other debt-to-income ratios which consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses.

7. Mobile Homes

Mobile homes and manufactured houses must conform to the following requirements in order to be eligible for rehabilitation with CDBG funds:

- the unit meets or exceeds the standards established by the National Mobile Home Construction and Safety Standards Act of 1974 (42 USC 5401 et seq.);

- the unit and the land it rests on is in common ownership; and

- upon completion of rehabilitation activities, the unit will be attached to a permanent foundation which cannot reasonably be relocated and which conforms to the Montana Department of Revenue criteria for assessment as an improvement to real property for tax valuation purposes.

DOC will waive these requirements only when it finds, based on information provided by the grantee, that no alternative affordable housing is available for residents of such units in the community. All rehabilitation work must still meet Section 8 Housing Quality Standards and all other codes, as applicable.

8. Local Rehabilitation Guidelines

For those projects involving housing rehabilitation, a summary of the proposed basic guidelines to be followed for the proposed housing rehabilitation project must be included in the CDBG application.

In view of the extent of Montana's needs for rehabilitation of substandard housing and the limited CDBG funds available, DOC encourages applicants to address the following in their rehabilitation guidelines:

- special financing techniques to "leverage" CDBG funds to encourage investment by homeowners and lenders, thereby increasing the total amount of funding available in order to assist a greater number of households;

- the targeting of assistance to low and moderate income households identified as having special needs such as those with low incomes, female heads of household, or elderly, handicapped or minority members;

- financing policies (affordability analysis) designed to recognize homeowners' existing housing costs and ability to afford the costs of rehabilitation;

- policies to provide a reasonable return on investment for rehabilitation of rental units undertaken by landlords;

- the establishment of a reasonable ceiling on the amount of funds to be spent on any one household;

- policies concerning which housing units are physically suitable for rehabilitation;

- policies to encourage comprehensive rehabilitation work on individual units to restore them to a safe, decent and sanitary condition and provide a suitable living environment with primary emphasis on addressing basic housing code deficiencies, and

- policies to encourage the removal of blighting influences on the property of assisted housing units and in the neighborhood of the CDBG project.

References for Preparing Local Housing Rehabilitation Program Guidelines

Copies of local housing rehabilitation program guidelines from other communities, as well as copies of previously successful CDBG applications and other related reference materials are available upon request from DOC staff.

- DOC has copies available of a 1986 HUD publication, Housing Rehabilitation for Small Cities (Second Edition) which includes an excellent discussion of the key issues involved in designing a local CDBG

housing rehabilitation program, including an explanation of various techniques for encouraging the leveraging of private funds and for analyzing applicants' ability to repay rehabilitation loans.

- A workbook prepared for a statewide housing rehabilitation workshop conducted by DOC in 1985 is also available upon request. The workbook contains additional information regarding leveraging techniques, program marketing, and specification writing for rehabilitation bids.

- In 1993, DOC received a HUD grant to prepare three technical assistance publications regarding housing issues: 1) a comprehensive housing rehabilitation manual; 2) a manual on designing and initiating a small community housing rehabilitation program; and, 3) a program income/revolving loan fund manual. These materials will be available by January, 1995 and may be requested from the Department of Commerce.

C. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NEW HOUSING CONSTRUCTION

CDBG funds may be used to finance or subsidize the construction of new permanent residential structures only under the following circumstances:

- If the housing is constructed by a local, community-based, public or private nonprofit organization.

- If grant recipients reconstruct housing on the same site which is owned and occupied by low or moderate income persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began; or

- If grant recipients construct housing of "last resort" under 24 CFR part 42, Sub-part I. This housing is limited to housing newly constructed for persons displaced by a CDBG project in which the project is prevented from proceeding because comparable replacement housing is not available otherwise.

However, several activities which support new housing may be carried out using CDBG funds even if they do not fall within the limited circumstances above under which new housing construction is eligible, including:

* Acquisition of sites for use or resale for new housing;

* Clearance of sites for use or resale for new housing;

* Site improvements to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing;

* The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; or

* The cost of converting an existing non-residential structure to residential use.

Applicants for new construction do not need to attach structural condition surveys. All newly constructed housing units will have to meet applicable property standards, including Section 8 Housing Quality Standards, and local laws and building codes. When constructing 8 or more units in a CDBG-assisted project, federal labor standards (Davis-Bacon wage requirements) also apply.

Cash Flow Analysis

CDBG applications involving new housing construction must include a forecasted project cash flow statement (income and expense statement) analyzing income expected to be derived from a project and all project expenses. Projected expenses should include management and administration costs; utility costs; repairs and maintenance costs; insurance and taxes; reserves; and debt service.

D. APPLICATIONS ON BEHALF OF NONPROFIT ORGANIZATIONS

Applicants applying on behalf of nonprofit organizations which will construct, operate and own, or lease an assisted facility or property must submit the information described in Appendix C.8, Special Requirements for Projects Involving Nonprofit Organizations.

HOUSING CATEGORY RANKING CRITERIA

Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1.	Project Planning and Selection	100 Points
2.	Need	150 Points
3.	Community Efforts	100 Points
4.	Project Strategy and Impact	200 Points
5.	Benefit to Low and Moderate Income	150 Points
6.	Project Implementation and Management	100 Points
	TOTAL:	800 Points

1. **PROJECT PLANNING AND SELECTION -- 100 points.**

In responding to this criterion, applicants should address the following:

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;

- the relationship of the proposed housing and neighborhood revitalization project to the community needs assessment;

- the rationale for selection of the project;

- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its housing needs in relation to its financial capacity and available sources of funding; and

- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

Please refer to Section E., Community Development Needs Assessment, within Chapter III of these Guidelines for guidance.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented the following:

a. adequate efforts to encourage meaningful citizen participation, in the community's planning and needs assessment process and in the selection of the CDBG project and project area, and to thoroughly address the needs of low and moderate income residents. (Dates and times of public hearings, attendance lists, and meeting summaries or minutes will be considered.);

b. the applicant has adequately assessed its overall community development needs, and has developed a thorough and achievable long-term comprehensive plan for dealing with its needs, taking into account all local, state and federal resources;

c. the applicant has considered the relationship between the community's overall housing and neighborhood revitalization needs and the needs identified in the most current version of the State of Montana Consolidated Housing and Community Development Plan;

d. the applicant has established priorities for dealing with its overall housing and related needs within the areas of housing rehabilitation, demolition, neighborhood revitalization, new construction, public facilities and site improvements related to housing, first-time homebuyer assistance, or other special housing needs, as applicable; and has reviewed its alternatives for dealing with those needs, taking into account all local, State and federal housing resources; and

e. the applicant has demonstrated a sound rationale describing why the housing activities proposed are the most appropriate ones to meet the identified needs by discussing the alternatives considered before selecting this option.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	**100 points**
ABOVE AVERAGE	**75 points**
AVERAGE	**50 points**
BELOW AVERAGE	**25 points**

2. NEED -- 150 points

The need for housing improvements or neighborhood revitalization generally results from the deterioration of the local housing stock or the lack of affordable housing due to an inadequate supply of units, to low incomes, high interest rates, market demand, or rising energy costs. The application narrative must describe the applicant's overall housing needs in the following categories as well as for any other housing activities for which the applicant is seeking CDBG funding:

- housing rehabilitation and neighborhood revitalization;
- demolition;
- new construction;
- other new housing-related activities;
- public facilities and site improvements related to housing;
- homebuyer assistance; and
- other housing and neighborhood revitalization related activities.

Housing Rehabilitation and Neighborhood Revitalization

For applications proposing housing rehabilitation and neighborhood revitalization activities within a defined project area, the narrative must include a description of the project area including the number and percentage of:

- standard housing units;
- moderately substandard housing units;
- substantially substandard housing units;
- severely substandard housing units (appropriate for demolition); and
- vacant housing units among the above categories.

Applicants must attach the completed Structural Condition Survey Form and Housing Data Summary Form available from the Department.

The description must differentiate between housing conditions for owner-occupied versus rental housing units. The description and accompanying map must also address the general condition of nonresidential structures and land uses within the proposed project area, as well as any significant blighting features in the area.

New Construction

In evaluating requests for new construction, the Department will consider the need for the new construction and whether the applicant has appropriately documented the lack of affordable housing and the conditions which produced an inadequate supply of dwelling units.

Applicants Who Have Not Previously Received Major Housing Assistance

In evaluating need, special consideration will be given to communities which have not been recipients of major state or federal housing assistance, including CDBG, within the last ten years, while also demonstrating a serious housing need.

In applying the "Need" criterion, the Department will consider whether the applicant has thoroughly documented the following:

a. its overall community housing and related needs as well as the needs within the project area, including the particular needs of both low and moderate income households (including owners and renters) and households which may have special needs such as those with low incomes, female heads of family and minority, elderly or disabled household members;

b. a comprehensive analysis of overall housing conditions and the existence of conditions such as the following:

   1. inadequate housing stock for a limited clientele or persons with special housing needs;

   2. a general shortage of decent and affordable housing; or

   3. major dilapidation or deterioration of housing or other structures and the existence of severe blighting conditions and revitalization needs;

c. in the case of new construction or other related housing activities, the lack of affordable housing or other conditions which necessitate special housing activities; and

d. the local government has not been a prior recipient of major assistance from a state or federal housing assistance program, including CDBG, within the last ten years.

Each application will receive points depending upon its documented overall need for housing related assistance in comparison to the application submitted:

HIGHEST NEED	**150 points**
ABOVE AVERAGE	**113 points**
AVERAGE	**75 points**
BELOW AVERAGE	**38 points**

3. **COMMUNITY EFFORTS -- 100 points**

Each applicant must demonstrate that the proposed CDBG activities offer a solution to an identified community development need which could not reasonably be accomplished by the applicant without CDBG assistance. The applicant must demonstrate that the level of local public and private financial participation in the proposed project is the maximum that it can reasonably be expected to provide. The applicant should outline steps taken to secure financing or other resources, and the results of those efforts.

The Department will consider whether the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds and services from all appropriate public or private sources to enhance the impact of the proposed project.

In documenting a commitment, the applicant must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency, private organization, or lender must be documented by a letter of commitment from the agency, organization, or lender involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the project.

Please refer to Section J., Public or Private Sector Commitments, within Chapter III of these Guidelines for guidance.

In applying the "Community Efforts" criterion, the Department will consider whether the applicant has thoroughly documented the following:

a. relative to the applicant's financial ability, that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected;

b. relative to the applicant's financial ability, the applicant has undertaken or will undertake non-CDBG financed efforts in the community and/or project area to address the identified housing and neighborhood revitalization needs such as:

   - improvements to public facilities;

   - community or neighborhood "cleanup", "paint-up", "fix-up" campaigns by volunteer civic groups or the local government;

- establishment of tax incentives for building remodeling authorized under Montana law (Section 15-24-1501, MCA);

- adoption of "community decay" ordinances for blight removal as authorized under Montana law (Section 7-5-2111, MCA, for counties, and Section 7-5-4104, MCA, for municipalities);

- has enforced or is prepared to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings to eliminate dilapidated or deteriorated buildings, such as the clearance of a substantial portion of unsafe, vacant, deteriorated structures which cannot be economically rehabilitated;

d. the applicant has thoroughly analyzed its housing needs and officially adopted a long-term housing plan and has integrated it with local planning and zoning policies;

e. if program income from previous CDBG housing grants has been received, the applicant has documented the successful use of the program income funds to further address the housing needs of low and moderate income households and will commit any available funds to the project; and

f. the applicant has secured firm commitments from local lenders to provide private funds in combination with CDBG funds at favorable terms and conditions, or as secured firm commitments for assistance from other State or federal funding sources, such as the Montana Board of Housing or Federal Home Loan Bank.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	**100 points**
ABOVE AVERAGE	**75 points**
AVERAGE	**50 points**
BELOW AVERAGE	**25 points**

4. PROJECT STRATEGY AND IMPACT -- 200 points

This criterion will consider:

- the degree to which the applicant has developed a complete, well reasoned, appropriate and achievable strategy;

- the extent to which the proposed activities represent the applicant's most effective option for achieving maximum impact on identified housing and community revitalization needs;

- the degree to which any proposed secondary activities are clearly complementary to and in support of the principal housing and community revitalization project; and

- the applicant's efforts to avoid adverse impacts from the project.

Each applicant must provide a narrative which describes the overall Project Strategy and Impact. In applying this criterion, DOC will consider whether:

a. the applicant has developed a complete, well reasoned, appropriate and achievable strategy for dealing with identified housing and community revitalization needs, taking into consideration all available public and private resources and local capacity;

b. the proposed activities and policies represent the applicant's most effective option for achieving maximum impact on identified housing and community revitalization needs, given the complexity of the needs and the funds available for the proposed project;

c. the applicant is dealing comprehensively with the housing needs of homeowners and renters, persons in different income categories, and households having special needs;

d. any proposed secondary activities are clearly complementary to and in support of the principal housing and community revitalization project and enhance the overall impact of the project;

e. the proposed financing terms encourage the "leveraging" of other public and private sector resources and will provide for analysis of the financial situation of each housing assistance applicant, including homeowners, renters and landlords to ensure that terms and financing techniques are appropriate and affordable, and consistent with prudent management of limited public funds;

f. any proposed "leveraging" arrangements are supported by firm commitments from developers and financial institutions, and therefore a high likelihood exists that additional housing units will be created or rehabilitated, or otherwise assisted beyond that possible using CDBG funds alone;

g. the applicant has realistically assessed the potential response of homeowners, renters and the owners of rental housing to the selected project design;

h. the number and type of housing units and the CDBG cost per unit to be assisted, as well as the extent of improvements proposed, are reasonable based on conditions in the community.

i. the project will expand housing opportunity and choice for low and moderate income persons through the provision of housing which was not available previously, such as facilitating the construction of new housing;

j. if housing rehabilitation is proposed:

- the applicant has appropriately documented a reasonable percentage or number of substandard housing units that are suitable for rehabilitation;

- the applicant has chosen to target a geographic area of high need, in terms of concentrations of low and moderate income and substandard housing suitable for rehabilitation, which offers a reasonable potential for generating substantial recognizable impact; or

- in the case of other proposed, "non-traditional" housing rehabilitation and community revitalization strategies, the strategy offers a strong potential to reduce substandard housing and community blight, while generating recognizable impact, and at the same time meets the needs of a particular low and moderate income group; and

- the applicant will provide related housing services to the community in support of the housing rehabilitation project such as housing rehabilitation counseling, provision of rehabilitation workshops for non-CDBG eligible residents, or outreach or referral programs to publicize non-CDBG options for financing home improvements;

k. if land assemblage is proposed, firm commitments have been obtained for new construction on the sites to be acquired;

l. if acquisition and demolition is proposed, occupancy of the units identified as requiring clearance has been determined, and if necessary, an appropriate and cost-effective relocation strategy has been developed; and

m. in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project (for example, Section 8 rent assistance), the level of subsidy, effect of the subsidy on local revenues, and the anticipated long-term benefits of the project will also be evaluated;

n. for projects involving improvements to public facilities as part of a housing project, the applicant has:

- taken steps to assure that low and moderate income households will not be adversely affected financially by increased assessments or service charges;

- in the case of new housing construction proposals, clearly demonstrated that the improvements to public facilities are a vital component to support the construction of affordable housing units;

- described how the public facilities activities will relate to a project area, where applicable, and the community's overall public facilities and have a substantial impact on the identified deficiencies.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	**200 points**
ABOVE AVERAGE	**150 points**
AVERAGE	**100 points**
BELOW AVERAGE	**50 points**

5. BENEFIT TO LOW AND MODERATE INCOME -- 150 points

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

Under federal law CDBG-funded housing activities can be considered to benefit persons of low and moderate income only to the extent that the housing will, upon completion, be occupied by low or moderate income persons.

Applicants will be assigned three points for each percentage of benefit to low and moderate income persons over fifty percent. Fractional percentages will be rounded to the nearest whole number.

Documentation for benefit to low and moderate income persons must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

6. PROJECT IMPLEMENTATION AND MANAGEMENT -- 100 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities.

In applying the "Project Implementation and Management" criterion, the Department will consider whether the applicant has thoroughly documented the following:

a. that applicant's plan for assuring proper management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities and the applicant has adequately considered the administrative and technical issues involved in the proposed housing project and has developed appropriate responses to them;

b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community, the budget, and implementation schedule proposed and all budget costs and the proposed implementation schedule are clearly reasonable and well supported;

c. the applicant has demonstrated that either firm commitments exist for any other resources to be involved in the project or the applicant has demonstrated that the resources will be available within six months of the award of CDBG funds;

d. if other funding sources or organizations will be involved in the project, the applicant has adequately described how these will be coordinated and directed;

e. the applicant has considered environmental or regulatory concerns and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impacts on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;

f. the applicant has identified the person or persons who will be responsible for day-to-day project management and financial management, or has identified any services which will need to be contracted for in order to carry out the project.

g. if income is to be generated by CDBG-funded activities, a plan has been developed for the use of that money and long-term administrative mechanisms have been proposed; and

h. if existing structures are to be rehabilitated for multiple family housing in excess of 8 units or if new housing construction is proposed, the applicant has provided additional pertinent information such as preliminary site improvement plans and/or floor plans (for new construction), and has addressed issues such as compliance with handicapped access, prevailing wage rates, comprehensive plans, and local zoning and subdivision review requirements.

i. if acquisition, demolition or relocation are proposed, the applicant has thoroughly considered the administrative and technical issues, mechanisms and procedures that will be involved in carrying out these activities;

j. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the basis of the past performance of the organization and the soundness and appropriateness of the plans for assuring proper operation and long-term management of the facilities or activities;

k. if a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout.

l. in cases where the applicant is currently administering a CDBG project and seeks CDBG assistance for an additional project, the applicant has clearly demonstrated that it has, or will have, the capacity to manage and complete an additional project on a timely basis in compliance with all CDBG requirements;

m. if professional services will be necessary for implementation and management of the CDBG project, the applicant will ensure maximum free and open competition in the procurement of those services.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	**100 points**
ABOVE AVERAGE	**75 points**
AVERAGE	**50 points**
BELOW AVERAGE	**25 points**

VI. PUBLIC FACILITIES PROJECTS

NOTE: This chapter covers the special requirements and ranking criteria which are applicable to CDBG public facilities applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applicants, which describes the general requirements and policies which are applicable to housing and public facility applications for CDBG funds.

A. INTRODUCTION AND INTENT

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. Activities may also include direct assistance to low and moderate income families such as payment of assessments or hookup charges for public improvements.

Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for homeless persons, battered spouses or abused children, or group homes for developmentally disabled persons.

Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category. Projects designed to provide permanent, long-term housing must be submitted under the housing and neighborhood revitalization category.

Nonprofit entities may acquire title to public facilities such as senior centers, centers for the handicapped, and neighborhood facilities. When such facilities are owned and/or operated by nonprofit entities, they must be open for use by the general public during all normal hours of operation.

Special purpose agencies, such as water, sewer, or solid waste districts, considering public facility improvements should carefully review the section for "Eligible Applicants."

"Buildings for the general conduct of government" are ineligible for CDBG assistance. This includes city halls, county courthouses, county or municipal administrative office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.

B. FEDERAL REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES

The federal Housing and Community Development Act imposes special requirements on projects which will be financed, in part, by hookup charges or assessments on property, such as through a special improvement district.

1. For Areas with 51% or Greater Low and Moderate Income Persons

If a community intends to finance its public facility project through the creation of a special improvement district (SID) and is requesting CDBG funds to financially participate in the project, the community would be required to use CDBG funds to pay the entire SID assessment for each low and moderate income household within the project area. If the community determines that the CDBG grant amount is not high enough to allow it to pay assessments for all low and moderate income persons, it would certify that fact to DOC, and in this event either:

- provide sufficient CDBG funds to pay all the assessments for low income households only, or

- use a portion of the CDBG funds to pay for all low income households, and distribute the balance of CDBG funds remaining among moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

2. Payment of Assessments in Areas with Less Than 51% Low and Moderate Income Persons

The Federal Housing and Community Development Act authorizes the use of CDBG funds for payment of special assessments levied against properties **owned and occupied** by persons of low and moderate income in neighborhoods or communities where **less** than 51% of the residents are low and moderate income (LMI). This permits a local government to use CDBG funds to pay special assessments levied against properties owned and occupied by LMI persons even when less than 51% of the area residents are LMI.

An important limitation on this option is that CDBG funds can only be used to pay assessments in project areas with less than 51% low and moderate income. In these cases, CDBG funds cannot be used for related engineering or construction costs. This amendment provides a significant opportunity to provide direct benefit to low and moderate income families through public facilities projects which otherwise would not have been eligible in past years.

Applicants having any questions regarding these requirements should contact DOC CDBG staff for guidance.

Note: **The above requirements do not apply to public facilities that will be financed through the issuance of revenue bonds.**

C. APPLICATIONS FOR ASSISTANCE TO NONPROFIT ENTITIES

Applicants applying on behalf of nonprofit organizations which will operate and own or lease an assisted facility or project must submit the information described in Appendix C.8, Special Requirements for Projects Involving Nonprofit Organizations.

PUBLIC FACILITIES RANKING CRITERIA

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Project Planning and Selection	75 Points
2. Need for Project	150 Points
3. Technical Review	100 Points
4. Community Efforts and Readiness	100 Points
5. Need for Financial Assistance	150 Points
6. Benefit to Low and Moderate Income	150 Points
7. Project Implementation and Management	75 Points
TOTAL:	800 Points

1. PROJECT SELECTION AND PLANNING -- 75 POINTS

In responding to this criterion, applicants should address the following:

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;

- the relationship of the proposed project to the needs assessment;

- the rationale for selection of the project;

- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its public facility needs in relation to its financial capacity and available sources of funding; and

- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

Please refer to Section E., Community Development Needs Assessment, and Section F., Citizen Participation, of Chapter III of these Guidelines for guidance.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented the following:

a. adequate efforts to encourage meaningful citizen participation in the community's planning and needs assessment process and in the selection of the CDBG project and project area, and to thoroughly address the needs of low and moderate income residents. (Dates and times of public hearings, attendance lists, and meeting summaries or minutes will be considered.);

b. the applicant has adequately assessed its overall community development needs and has developed a thorough and achievable long-term comprehensive plan for dealing with its needs, taking into account all local, state and federal resources;

c. the applicant has assessed its overall public facility needs, has identified and documented the deficiencies and established priorities for dealing with them; through an officially adopted capital improvements plan and the proposed CDBG project is an integral part of that plan;

d. the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its public facility needs in relation to its financial capacity and available resources;

e. the applicant has described the technical alternatives considered before selecting the proposed option for resolving its public facility need and has developed a well-reasoned and achievable proposal;

f. the applicant has considered the financial impacts on or benefits to low and moderate income households as a result of project activities and has proposed administratively sound, cost-effective means of minimizing adverse financial impacts or maximizing benefits, such as establishing a metered water system to allocate costs on the basis of use or payment of assessments, hookup fees or water meter installation charges for low and moderate income households;

g. the estimated cost per household has been discussed and is documented in the public hearing minutes and affected property owners have been informed of the amounts of any anticipated increases in assessments or user charges through public hearings or other consultations and are in support of the project;

h. in cases where the proposed project will not completely resolve the community's public facilities need, the project represents a complete and reasonable component of an overall, long-term program of scheduled improvements.

Each application will receive points depending upon its overall response to the criterion:

BEST	**75 points**
ABOVE AVERAGE	**56 points**
AVERAGE	**38 points**
BELOW AVERAGE	**19 points**

2. NEED FOR PROJECT -- 150 points

This ranking criterion will consider the overall need for the activities to be addressed with CDBG funds in comparison with the other public facilities projects submitted for funding. In documenting the need for the proposed CDBG project activities, applicants should address the following as appropriate:

- the degree to which the public facilities problem to be addressed with CDBG funds affects the public's health and safety, the proportion of the total community that is affected; and the extent to which Low and Moderate Income (LMI) residents are affected; and

- the immediacy of the public facility problem to be addressed with CDBG funds, including the cause of the problem, how long the problem has existed, and/or how often it has reoccurred;

The need for the proposed project activities will be assessed by using existing criteria or recommendations of other appropriate public or private agencies, whenever possible. When necessary, the Department will seek technical review by appropriate public or private agencies or firms to evaluate proposals.

Highest priority will be given to projects which are designed to eliminate serious and immediate threats to the public's health or safety. Combining high priority activities with activities considered to be lower priority could result in the assignment of a lower overall rank. In order to document that serious conditions exist, applicants should submit written verification by a public or private agency other than the applicant (a statewide agency, if possible) that existing conditions pose a threat to the health or welfare of the community or targeted population group.

Applicants proposing CDBG-funded activities which, overall, are considered to be addressing the most severe and immediate needs will receive the highest score. In applying the criterion, the Department will consider whether the applicant has thoroughly documented that:

a. a serious deficiency exists in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply (or that the community lacks the facility or service entirely);

b. circumstances clearly attributable to a deficiency have occurred, or are likely to occur, such as serious illness, disease outbreak, substantial property loss or serious environmental pollution;

c. the problem is existing, continual, and chronic as opposed to occasional, sporadic, probable or potential;

d. the proposed activities to be addressed with CDBG funds are necessary to comply with a court order or a State or federal agency directive;

e. there is clear documentation that the current condition of the public facility (or lack of a facility) violates a health or safety standard; and the health or safety standard which is being violated represents a significant threat to public health or safety; and

f. the entire community or a substantial portion of the residents of the community are seriously affected by the deficiency, including the extent to which Low and Moderate Income (LMI) residents are affected.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

MOST SEVERE AND IMMEDIATE	**150 points**
ABOVE AVERAGE	**113 points**
AVERAGE	**75 points**
BELOW AVERAGE	**38 points**

3. TECHNICAL REVIEW-- 100 points

Applicants for public facility projects must provide, as appropriate, a preliminary engineering or architectural plan or study which is sufficiently detailed to describe the scope of the problem to be addressed as well as the technical components of and estimated costs for the proposed facility or improvements. The report should describe the technical alternatives considered to deal with the identified problem, the cost projections for each, and the rationale for the selection of the proposed alternative.

Any special features in the project area which will result in an unusual facility design or a costly design (e.g., lack of right-of-way, topography) should be described. Applicants should also indicate the sources of cost estimates for each activity.

Any environmental or regulatory constraints which could affect the cost of the project or the implementation schedule should be fully described and contingency plans proposed, where appropriate (e.g., requirements governing floodplains, historic preservation, handicapped access provisions, acquisition, or relocation).

Where appropriate, the Department will seek technical review by appropriate public or private agencies or firms.

<u>Preliminary Engineering or Architectural Report</u>

The applicant must provide a copy of a preliminary engineering (or architectural) report, which includes a description of the improvements necessary to correct the identified deficiencies in the public facility. This report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. If the applicant is proposing to improve an existing facility, it must include a brief history of the system or facility and an analysis of the system's or facility's present condition and deficiencies.

The preliminary engineering (or architectural) report must also describe the technical alternatives considered to deal with the identified problem; the design criteria used; the cost projections for each alternative, including an analysis of capital and operating costs; and the rationale for the selection of the proposed alternative.

Preliminary Engineering Reports for water and sewer projects must, at a minimum, address the following:

1. Problem Definition

    a. Describe need
    b. Regulatory issues
    c. Historical record of problems

2. Alternative Analysis

    a. Description of alternatives considered for problem resolution
    b. Cost-effective analysis considering capital and operating costs (present worth or similar method)
    c. Basis of selection, considering financial and environmental impacts.

3. Installation of Water Meters (For drinking water projects only)

    a. Description of feasibility of installing water meters where appropriate,
    b. Dost savings due to the installation of meters vs. expense of installation and maintenance of meters,
    c. Recommendation on whether or not to install meters.

4. Description and Justification of Selection Alternative

    a. Descriptive narrative with drawings or schematics
    b. Site location and characteristics
    c. Design Criteria
        -Hydraulic data
        -Population projections
    d. Impact on existing facilities
    e. Operational requirements
    f. Cost summary
        -Capital and operating
        -Cost per user

Water Meters

It is the policy of the Montana CDBG Program to encourage the use of water meters wherever appropriate. Because all CDBG grantees are the recipient of limited, government financial resources, local government CDBG recipients are expected to spend project construction funds as prudently as possible. In many cases over the long-term, the installation of water meters, instituting a fair billing system based on

actual use, and subsequent maintenance of meters is one of the most prudent and cost-effective management and conservation steps local governments can take.

All local governments requesting CDBG funds for water system improvements must include in the application an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and actual use in all those cases where meters are not currently being utilized. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. Though local governments are <u>not required</u> to convert to a metering system as a precondition of receiving CDBG funds, local governments choosing <u>not</u> to convert to meters are expected to present a sound rationale why conversion is not feasible or appropriate.

<u>New Construction or Rehabilitation of Buildings</u>

If new construction of a building is proposed, the applicant must thoroughly document that no buildings exist within the community which are suitable for purchase and cost-effective modification. This documentation should include an analysis of both the physical and financial feasibility of existing buildings and analysis that the most appropriate and cost-effective alternative is new construction.

If rehabilitation of an existing building is proposed, the applicant must thoroughly document that the proposed improvements are the most reasonable, represent the best long-term solution, and are the most cost-effective to meet clearly defined deficiencies.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented that:

a. the project thoroughly addresses the problem and provides a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources;

b. in cases where the proposed project will not completely resolve the community's public facilities need, the project represents a complete and reasonable component of an overall long-term program of scheduled improvements;

c. after thoroughly considering all reasonable alternatives, the technical design proposed for the project represents the most efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the

complexity of the problems addressed, and the cost of the project; and the proposed implementation schedule;

d. all projected costs and the proposed implementation schedule are clearly reasonable and well-supported; and

e. where applicable, for projects involving community water system improvements, the conversion to a water metering system has been thoroughly analyzed and the community has decided to install meters; or in those cases where meters are not proposed, analysis clearly demonstrates that the use of meters is not feasible or appropriate.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	**100 points**
ABOVE AVERAGE	**75 points**
AVERAGE	**50 points**
BELOW AVERAGE	**25 points**

4. COMMUNITY EFFORTS AND READINESS -- 100 points

This criterion will assess the thoroughness of the applicant's past efforts to resolve the problem with local resources and current efforts to secure alternative or additional funds from all appropriate local, State, and federal public and private sources potentially available to assist in financing the proposed project. The criterion will also consider the applicant's readiness to promptly implement the project if awarded CDBG funds.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented:

a. substantial past efforts to deal with the public facility problem through a long-term commitment to capital improvement planning and budgeting or by raising taxes, user charges or fee schedules to the maximum reasonable extent, considering local financial constraints;

b. that reasonable operation and maintenance budgets and practices have been supported by the community over the long-term, including adequate reserves for repair and replacement;

c. that if there are indications that the problem is not of recent origin or has developed because of past inadequate operation and maintenance practices, the applicant has thoroughly explained the circumstances and described the actions that will be taken in the future to assure that the problem will not reoccur;

d. that the applicant has made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project; and

e. that non-CDBG funding sources are either firmly committed and the applicant will be ready to proceed with the project immediately following normal grant start-up procedures or all non-CDBG resources will be available for participation in the project within six months of CDBG award by DOC.

Note: In documenting a public commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency or private organization must be

documented by a letter of commitment from the agency or organization involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the proposed project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	**100 points**
ABOVE AVERAGE	**75 points**
AVERAGE	**50 points**
BELOW AVERAGE	**25 points**

5. NEED FOR FINANCIAL ASSISTANCE -- 150 points

The "Need For Financial Assistance" criterion will assess the degree to which the applicant has clearly documented that its request for CDBG financial assistance is necessary and reasonable, relative to its financial capability and the amount of CDBG assistance requested per benefiting household, in comparison to other applications.

CDBG funds should be requested only for the difference between the total cost of a project and the amount of funds that an applicant can reasonably provide. Each community is expected to contribute a reasonable share of project costs and to request the least amount of CDBG funds necessary to complete a project. The applicant must substantiate that other private or local, State or federal resources are not available at reasonable cost to address the identified need and must demonstrate that the level of local financial participation in the proposed project is the maximum that it can reasonably be expected to provide.

<u>Local Match</u>

Applicants must contribute local funds equal to at least 25% of the CDBG funds requested as part of the project budget. For example, if a community intends to request $200,000 in CDBG funds for assistance in financing engineering and construction costs, it would have to provide a $50,000 matching contribution.

In cases of extreme financial hardship and where the public's health or safety is affected, applicants may request DOC to waive the 25 percent matching requirement where:

1. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facilities in comparable communities; and

2. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur.

<u>Definition of "Local Contribution"</u>

For purposes of evaluating this criterion, the local share of the project budget may be provided either by a direct cash contribution or by incurring a loan or issuing bonds to

be paid through user charges or property tax assessments. "In-kind" services (such as land, labor or materials), debt incurred prior to grant application, or grants from other sources are not eligible to document the applicant's local share of project costs.

The Department will count documented local government expenditures for preliminary architectural design and engineering as part of the required 25% match. To be counted toward the match, such expenditures must be directly related to the CDBG application and cannot include "in-house" costs. Such expenditures must have been made no later than 24 months from the date of application.

<u>CDBG Financing of Public Facility Projects</u>

Recommendations for the amount of each CDBG grant will be based on a comparison of the costs which are borne by residents of comparable communities, served by existing, similar public facilities and the projected costs for the proposed project, with and without CDBG grant assistance. CDBG will endeavor to award the minimum amount of CDBG grant assistance necessary to complete a project and achieve a reasonably affordable cost for affected citizens.

<u>Financial Indicators For Determining Appropriate Levels Of CDBG Assistance</u>

In order to score applications on this priority, DOC staff will prepare a financial assessment to help determine each applicant's relative need for CDBG assistance. The financial assessment will also serve as the basis for DOC's recommendations regarding the amount of financial assistance to be awarded each project.

Appendix C.9 describes a variety of financial indicators that will be used for comparing local participation in CDBG-assisted public facility projects. None of the indicators viewed individually may give a clear picture of the applicant's need for CDBG assistance. However, when analyzed together, these indicators provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant.

> **NOTE: Each CDBG applicant must provide a completed copy of the <u>Montana Community Facilities Financial Information Form</u> to provide a common basis for comparison of the financial situation of all applicants. The pertinent information referred to in Appendix C.9 will be provided by completing this form. Appendix C.6 contains median household income (MHI) information discussed in Appendix C.9.**

<u>CDBG Grant Ceiling Per Household/Individual</u>

The amount of CDBG grant funds requested per benefited household or individual (per active residential connection in the case of sewer or water projects) for the project

area must be reasonable in relation to those requested by other applicants. In no case should the grant request exceed <u>$10,000 per Low and Moderate Income household</u> or individual to be assisted unless both of the applicable tests below are met:

a. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur; and

b. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facilities in comparable communities.

An applicant for a CDBG grant in excess of $10,000 per Low and Moderate Income household or individual to be assisted by the project must be able to clearly demonstrate that without additional grant assistance the financial burden on local residents or a private, non-profit organization would be extraordinary and unreasonable.

In applying the "Need for Financial Assistance" criterion, the Department will consider whether:

a. DOC's comparative analysis of financial indicators for all CDBG applicants demonstrates that the applicant's need for CDBG assistance is greater than other applicants;

b. DOC's analysis of the proposed project budget, financing strategy, and local financial capability clearly supports the applicant's lack of ability to pay the projected costs without CDBG assistance and that the applicant's proposed level of local financial participation in the project is the maximum that can reasonably be expected;

c. The applicant has clearly documented that all avenues to fund the proposed project with local resources have been exhausted and the proposed project could not reasonably be accomplished without CDBG assistance to fill a financial gap;

d. Low and Moderate Income (LMI) households are concentrated in the project area, or would be principal beneficiaries of the public facility, and the applicant's share of project costs will ultimately be shared by all the

taxpayers or ratepayers in the community rather than principally by the LMI beneficiaries of the project; and

e. The amount of CDBG funds per household or individual to be assisted does not exceed $10,000 per LMI household or individual assisted, unless both waiver tests described above have been met.

Each application will receive points depending upon its overall response to the criterion in comparison to the other applications submitted:

HIGHEST NEED	**150 points**
ABOVE AVERAGE	**113 points**
AVERAGE	**75 points**
BELOW AVERAGE	**38 points**

6. BENEFIT TO LOW AND MODERATE INCOME -- 150 points

In order for a public facilities project to be funded, it must be determined that it will principally benefit persons of low and moderate income. Project activities must:

a. be carried out in a neighborhood consisting predominately of persons of low and moderate income and provide services for such persons;

b. involve facilities designed for use predominately by persons of low and moderate income; or

c. be limited to paying special assessments levied against properties owned and occupied by persons of low and moderate income, where the CDBG assistance is for a public improvement that provides benefits to all the residents of an area.

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

Applicants will be assigned three points for each documented percentage of benefit to low and moderate income persons above fifty percent. Fractional percentages will be rounded to the nearest whole number.

Documentation for benefit to low and moderate income must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

7. PROJECT IMPLEMENTATION AND MANAGEMENT -- 75 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short-term management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and cost-effective and timely start-up and completion of project activities. This criterion will also assess the soundness and appropriateness of the applicant's (or subrecipient entity's) plans for assuring proper operation and long-term management of the public facility to be assisted.

In applying the "Project Management" criterion, the Department will consider whether:

a. the applicant's plan for assuring proper management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities;

b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community, the budget, and implementation schedule proposed; and all budget costs and the proposed implementation schedule are clearly reasonable and well supported;

c. the applicant has demonstrated that either firm commitments exist for any other resources to be involved in the project, or the applicant has demonstrated that the resources will be available within six months of the award of CDBG funds;

d. in cases where more than a single funding source or organization is involved, the applicant has described how these will be coordinated and directed;

e. the applicant has addressed environmental concerns and regulatory constraints and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impact on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;

f. the applicant has identified the person or persons who will be responsible for day-to-day project management and financial management or has identified any services which will need to be contracted for to carry out the project;

g. the applicant (or subrecipient entity) has incorporated features in the overall project design to assure that sound management concepts are followed for the long-term. For example, when proposing major improvements to a community water system, the applicant will institute water metering to encourage conservation and a more equitable assignment of user costs, or will adapt and implement a well-head protection plan for a new water source;

h. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the past performance of the organization and the soundness and appropriateness of the entity's plans for assuring proper operation and long-term management of the public facility to be assisted;

i in cases where the applicant is a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout;

j. in cases where the applicant is currently administering a CDBG project and seeks CDBG assistance for an additional project, the applicant has clearly demonstrated that it has, or will have, the capacity to manage and complete an additional project on a timely basis in compliance with all CDBG requirements;

k. in cases where direct financial assistance to low and moderate income persons is proposed, the applicant:

   1. has developed a sound and cost-effective targeting mechanism which is appropriate and feasible given the administrative resources of the applicant; and

   2. has provided thorough documentation in support of any claims of benefit to low and moderate income persons; and

   3. can assure completion of the targeting assistance within the term of the project.

l. if professional services will be necessary for implementation and management of the CDBG project, the applicant will ensure maximum free and open competition in the procurement of those services.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	75 points
ABOVE AVERAGE	56 points
AVERAGE	38 points
BELOW AVERAGE	19 points

VII. PROCEDURES FOR GRANT AWARD

A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS

As soon as possible after the selection of applicants to receive awards is completed, the Director will notify all applicants of the final results in writing. A summary of the final ranking results will be provided to each applicant along with the written findings of the team that reviewed the application.

Funds will be tentatively allocated to the selected applications. The tentative allocation of funds does not imply approval of all activities or costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The formal award of funds will be contingent upon the execution of a contract between the applicant and the Department in accordance with all applicable federal and State requirements.

B. RE-RANKING OF APPLICATIONS

Re-ranking may be considered in the event that an applicant tentatively selected to receive CDBG funds is unable to substantiate information contained in the application which may have been a determining factor in the ranking score received or if an applicant requests modification of any activities proposed in the original applications. (See procedures under Section H, Grant Amendment, Chapter VIII, PROJECT START-UP PROCEDURES.)

C. APPLICATION REVIEW

DOC CDBG staff will review applications with applicants on request to discuss the evaluation and ranking of their applications.

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review upon request in the Department's offices in Helena, Montana.

D. APPLICANT APPEAL

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that the Department determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, the Department will reserve funds from the fiscal year 1996 CDBG State allocation sufficient to fund that application. Those funds will be made

available as soon as is practicable. If any other applicant tentatively selected for fiscal year 1995 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and made available to that applicant erroneously scored. The reservation of the 1996 CDBG funds would then be adjusted or cancelled, as appropriate.

VIII. PROJECT START-UP PROCEDURES

A. AMOUNT OF GRANT AWARD

Funds will be tentatively awarded to selected applications by DOC. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of the Department. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The Department will not grant additional funds to pay for project costs which exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award will be reserved by the Department for unfunded or inadequately funded projects or added to the following fiscal year's CDBG allocation. The Department will amend the grant contract to reflect the reduced costs.

In certain circumstances excess funds may be used for an eligible activity which further enhances the contracted project. Before the Department makes a determination to allow the additional activity, the grantee must demonstrate that the activity will: clearly enhance the overall impact of the original project; provide adequate benefits to low and moderate income persons; be completed in a timely manner; and be able to be completed with the excess funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

B. PROJECT START-UP REQUIREMENTS

Within four months of the date of the announcement of the tentative grant award by the Montana DOC, each applicant selected for CDBG funding must execute a grant contract with the Department.

Within six months of the date of the announcement of the tentative grant award by the Department, each applicant selected for CDBG funding must:

- comply with all applicable State and federal requirements for project start-up;

- establish with the Department a mechanism for transfer of CDBG funds to the grantee;

- submit an acceptable management plan and schedule for local CDBG project administration and implementation; and

- fulfill other appropriate contract terms established by the Department.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the State CDBG Program project ranking and grant award procedures, unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time to meet these conditions.

No applicant which has been tentatively selected for CDBG funding may obligate or incur costs for CDBG funds until specifically authorized in writing by the Department. Funds obligated or expenses incurred without proper authorization will be the responsibility of the grantee and cannot be reimbursed by CDBG funds at a later date. Incurring costs includes actions such as hiring staff or entering into a contract for engineering or management services or for acquisition of land.

It will take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the federal funds must be finalized.

C. GRANT CONTRACT

After an application is tentatively selected for funding, a grant contract will be prepared. The grant contract is the legal document which governs the administration of the grant and includes the following items:

- the amount of CDBG funds to be provided;

- a detailed budget for the CDBG funds and any other funds involved in the project;

- the schedule for implementation of project activities and the scope of work to be completed; and

- the general and special terms and conditions associated with the grant.

The application as approved will become part of the grant contract.

No CDBG funds will be released to the grantee until a grant contract is fully executed and all project start-up requirements complied with.

E. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS

It is the responsibility of all CDBG grantees to comply with all applicable federal and State laws, executive orders, and regulations affecting their projects. The Department will conduct training sessions to familiarize local officials of the recipient communities with these requirements. Participation is mandatory.

F. COMMITMENT OF NON-CDBG RESOURCES

Grantees must have completed, within six months of the date of the announcement of the tentative grant award by DOC, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated. The Department encourages applicants to secure firm commitments from all non-CDBG funding sources prior to submission of their CDBG application.

No CDBG funds will be released to the grantee until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

G. PROJECT MONITORING

During the course of the local CDBG project, the Department will monitor each grantee through periodic on-site visits and written progress reports, so that any problems which might occur may be resolved as soon as possible. It is the Department's goal to assist and support grantees in complying with applicable State and federal requirements and in implementing their project activities.

Grantees will be required to maintain complete financial and program files, and to comply with program reporting requirements. Representatives of the Department must be provided reasonable access to all books, accounts, records, reports and files pertaining to CDBG funded activities. Grantees must also provide citizens with reasonable access to records regarding the use of CDBG funds.

H. TIMELY PROJECT COMPLETION

The grant requested, either by itself or in combination with other previously identified funding sources, must be sufficient to complete the proposed activities within the contract period. The contract period is normally 24 months from the date of the announcement of the tentative grant award by the Department. The Department will consider each project separately during grant contract negotiations in order to establish a reasonable and realistic date for project completion.

DOC reserves the right to withdraw a commitment for any CDBG funds which remain unobligated 24 months after the date of the announcement of the tentative grant award.

I. GRANT AMENDMENT

All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract. Before the Department makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. The Department will consider each request to determine whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If warranted the Department will analyze the proposed modification and its impact on the scores originally assigned the application.

If re-ranked, in order to be approved, the proposed amendment must rank equal to or greater than the lowest numerical score received by a funded project.

The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities proposed in the original application for CDBG funds.

Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.

APPENDIX C.1

STATE OBJECTIVES FOR THE 1995 MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General

1. Provide funding to communities whose needs are greater than those of other communities and whose projects most effectively address local needs and the goal and objectives of the Montana CDBG Program.

2. Encourage meaningful citizen participation, including efforts to involve low and moderate income persons, in the selection, design and implementation of local community development projects.

3. Ensure that CDBG projects result in sound investment in Montana's communities and are administered efficiently, effectively and consistently with appropriate State and federal policies.

4. Encourage the recognition of potential environmental constraints on community development activities in order to avoid or mitigate potentially adverse impacts upon the human and natural environment.

5. Encourage coordinated long-term strategies for community development activities which are consistent with local planning efforts and capital improvements programming.

6. In order to increase the potential impact of limited CDBG funds, encourage the commitment and coordination of other available public or private resources for community development projects.

Economic Development

7. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent, year round jobs principally for low and moderate income Montanans.

8. Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities; or the distribution of Montana-made goods.

9. Encourage projects that involve the processing, refining, and marketing of Montana's natural resources.

Housing

10. Provide decent, safe, sanitary and energy efficient housing for persons of low and moderate income by conserving and improving the condition of appropriate existing housing stock.

11. Support the revitalization of deteriorated or declining residential neighborhoods through comprehensive neighborhood improvement efforts which address blight, as well as housing and public facility needs, while avoiding displacement of current residents.

12. Encourage the provision of affordable and appropriate housing assistance to low and moderate income households, and in particular, those with special needs such as those with lower incomes, female heads of family, or minority, elderly or disabled members.

13. Increase fair housing opportunity for low and moderate income persons by encouraging efforts by local governments to prevent discriminatory or restrictive housing practices.

14. Encourage private sector investment in housing for low and moderate income households and increase the impact of local housing programs through cooperative arrangements with private lenders and the use of financial leveraging techniques.

Public Facilities

15. Assist communities in providing appropriate and long-term solutions to serious deficiencies in public facilities which are detrimental to the public health and safety and detract from further community development, or which are necessary to meet other essential community needs.

16. Encourage community participation in the financing of public facility projects in proportion to local financial resources and capacity to share in project costs.

APPENDIX C.2

CITIZEN PARTICIPATION PLAN FOR THE MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

A. Purpose

Pursuant to Section 104(a)(3) of the Housing and Community Development Act, the Montana Department of Commerce (DOC) has prepared the following detailed Citizen Participation Plan. The intent of this plan is to ensure that the citizens of Montana, particularly persons of low and moderate income residing in slum and blight areas, or areas in which CDBG funds are proposed to be used, are provided the opportunity and encouraged to participate in the planning and implementation of CDBG-funded activities.

B. Responsibilities of the Montana Department of Commerce

1. Prior to submitting its annual CDBG Application Guidelines to the U. S. Department of Housing and Urban Development (HUD), DOC will in a timely manner:

   a. furnish interested citizens and eligible local governments information concerning the amount of funds available for proposed community development and housing activities and the range of activities that will benefit persons of low and moderate income, the State's community development objectives, and the projected use of CDBG funds;

   b. publish proposed application guidelines in such a manner to provide affected citizens an opportunity to examine the contents and to submit comments on the proposed guidelines and on the community development performance of DOC; and

   c. hold one or more public hearings to obtain the views of citizens on community development and housing needs as authorized by Section 90-1-103, MCA, and under the procedures established by the Montana Administrative Procedures Act, Title 2, Chapter 4, MCA.

2. The Federal Housing and Community Development Act, which established the CDBG program, requires the Department of Commerce to submit a performance and evaluation report to HUD on each of the past annual CDBG programs which have been administered by the State.

These reports include a summary of the accomplishments of each local project funded through each fiscal year's program, a description of the use of the funds for each project, a description of the national and state objectives met by each project, as well as a summary of the extent to which low and moderate income persons benefitted from each project. These reports were first submitted to HUD in 1986 and are published annually in September. Copies are available from the Department for public review and comment.

3. After providing reasonable notice, the public may review Department of Commerce files pertaining to the past use of CDBG funds under the State CDBG program at the Department's office in Helena, Montana;

4. The Montana Department of Commerce will give citizens and Montana's local governments reasonable notice of, and an opportunity to comment on, any proposed change in the method of distribution of CDBG funds or any major amendment of the Montana CDBG Program Guidelines. The Department will:

   a. publish a notice of the proposed change in order to provide citizens and Montana's counties and municipalities reasonable notice of the change;

   b. consider comments received from citizens and local government officials prior to making a final decision regarding the change;

   c. publish the change; and

   d. submit a copy of the change to HUD.

C. Responsibilities of CDBG Applicants and Recipients

1. Citizen participation in the preparation of CDBG applications:

   a. Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

   b. At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. The public hearings may be conducted either as part

of a regularly scheduled meeting of the governing body or as hearings convened especially for CDBG purposes.

c. A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

d. The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements. The first hearing is also designed to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of application.

e. The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application, before the community submits its application. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount and sources of funds proposed to be used for activities that will benefit low and moderate income families), any costs to be imposed on residents as a result of the project (particularly those of low and moderate income), and, if appropriate, the plans of the grantee for minimizing displacement of persons as a result of activities assisted with CDBG funds. The second public hearing must be held not more than two months prior to the date of application.

f. Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published

notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearings should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives such as radio announcements, mailed notices, and posters.)

D. Responsibilities of Both DOC and CDBG Applicants and Recipients.

1. Public Hearings

   a. Public hearings will be the primary means of obtaining citizen views and responding to proposals and questions related to community development and housing needs, proposed CDBG activities and past CDBG performance.

   b. Formal public notice will be provided before such public hearings. As circumstances warrant and as DOC and cities, towns and counties determine necessary or appropriate, notice may additionally be specifically directed to persons of low and moderate income, those persons benefiting from or affected by CDBG activities and/or representatives of such persons. Hearings will be held at times and locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can reasonably be expected to participate, arrangements will be made to have an interpreter present.

2. Access to Records, Meetings, Information

   a. DOC and local government applicants for or recipients of CDBG funds will provide citizens with reasonable and timely access to local meetings, information, and records relating to the proposed actual use of CDBG funds.

b. Information and records regarding the proposed and past use of CDBG funds will be available at the Montana Department of Commerce, Local Government Assistance Division, Helena, Montana, and at a location designated by each CDBG applicant and grant recipient during regular office hours.

3. Technical Assistance

The Montana Department of Commerce and Montana cities, towns and counties will provide technical assistance to groups representative of persons of low and moderate income that request assistance in developing CDBG proposals. The level and type of assistance which is appropriate will be determined by the Department and each governing body based on its ability to provide or arrange for such assistance, the cost of providing such assistance, and other relevant factors.

4. Complaints and Grievances

DOC and Montana cities, towns and counties will respond to written complaints and grievances concerning their CDBG activities in writing and in a timely manner. When practicable, such written responses shall be made within fifteen (15) working days.

5. Montana Law

DOC and local government applicants for, and recipients of, CDBG funds shall afford Montana citizens reasonable opportunity to participate in governmental actions and decision making as provided under Montana law (Title 2, Chapter 3, MCA).

6. Grant Amendment

a. All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract.

b. The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities contained in the original application for CDBG funds.

c. Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental requirements.

APPENDIX C.3

ACTIVITIES ELIGIBLE FOR CDBG ASSISTANCE UNDER THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The following includes the entire text of Sections 24 CFR (Code of Federal Regulations) Part 570 relating to eligible activities under the Housing and Community Development Act of 1974.

Section 570.201	Basic Eligible Activities
Section 570.202	Eligible Rehabilitation & Preservation Activities
Section 570.203	Special Economic Development Activities
Section 570.204	Special Activities by Certain Subrecipients
Section 570.205	Eligible Planning, Urban Environmental Design and Policy-Planning-Management-Capacity Building Activities
Section 570.206	Program Administration Costs

Section 570.207 dealing with ineligible activities under the CDBG Program is also included.

APPENDIX C.4

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if it is selected for funding.

Listed in the following Certifications for Application are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

The Applicant hereby certifies that:

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS

It will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant (CDBG) Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

It will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

It will comply with:

- The Uniform Relocation Assistance and Real Property acquisition Policies Act of 1970 (The Uniform Act) as amended,and implementing regulations 49 CFR part 24 and the requirements of section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals and that the

range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children); and

- The grantee must also inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B.

- The Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

It will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,

b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause a, above.

BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

It will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

It will comply with:

- Section 109 of the Housing and Community Development Act of 1974 as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;

- The Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;

- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied program benefits or subjected to discrimination under any program or activity receiving federal assistance funds;

- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170/u) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and

- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting for the provisions of this nondiscrimination clause. For contracts over $10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (also known as The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the regulations issued pursuant thereto. The law states that it is the policy of the United States prohibiting any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. CDBG grantees must also administer programs and activities

relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and

- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

Prohibition of Discrimination on Basis of Religion

It will comply with section 109(a) of the Housing and Community Development Act which prohibits discrimination on the basis of religion or religious affiliation. No person will be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation.

Prohibition Of Excessive Force

It will, if awarded CDBG funds, adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 104(1) of the Housing and Community Development Act, as amended.

CONFLICT OF INTEREST

It will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

It will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

It will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and

- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

Its chief executive officer or other officer of the applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and

2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA List of Violating Facilities

It will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the

Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

It will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;

- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and

- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for

new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:

    1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and

    2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory Council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and

- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.) which provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

Wildlife

It will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and

- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

It will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism can not be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

FINANCIAL MANAGEMENT

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;

- HUD "Administrative Requirements for Grant and Operative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments," (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program income, property management, procurement, closeout, audit, and other requirements; and

- The Single Audit Act of 1984 which establishes criteria for determining the scope and content of audits and with OMB Circular A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, the Montana Legislative Auditor, HUD, and the Comptroller General, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

It will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1- 276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property is designed for residential use for eight or more families;

- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as the Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the federally-funded recipient by the contractor;

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and

- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant,

will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

LOBBYING

It certifies that:

- No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

- If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influencing an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard From LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

- The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

> This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or

grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

____

Signature, Chief Elected Official
(or Executive Officer)

____

Name (typed or printed)

____

Title

____

Date

APPENDIX C.5

ANTIDISPLACEMENT AND RELOCATION ASSISTANCE PLAN

1. The Montana Department of Commerce (DOC) encourages applicants to design their project so as to displace as few persons as necessary to meet the goals and objectives of the State CDBG program and critical local community development needs.

2. DOC will carefully consider any proposed displacement activities during application ranking.

3. When a proposed CDBG project could result in direct or indirect displacement of community residents (including businesses), the applicant must prepare a more detailed plan which describes the actions to be taken to assist such persons to remain in their neighborhoods, when they prefer, and to provide equitable and reasonable benefits to those persons who will be involuntarily and permanently displaced. The adequacy of any displacement mitigation plan will be assessed by the Department of Commerce on the basis of:

    - its responsiveness to displaced persons;
    - the timeliness of the remedy; and
    - the reasonableness of projected costs, including safeguards that will be established to assure prudent use of scarce public resources.

4. DOC will require all CDBG recipients to certify that they are following this residential antidisplacement and relocation assistance plan.

5. Grant recipients must replace on a one-for-one basis all occupied and vacant habitable low/moderate income dwelling units demolished or converted to a use other than as low/moderate income housing. The one-for-one replacement requirement will not apply if the U.S. Department of Housing and Urban Development (HUD) finds there is an adequate supply of available, vacant low/moderate income dwelling units in standard condition in the area.

6. DOC will require CDBG recipients to provide benefits to any person involuntarily and permanently displaced as a result of CDBG funded activities in accordance with Title V of the federal Housing and Community Development Act.

APPENDIX C.6

MEDIAN HOUSEHOLD INCOME TABLES FOR CITIES, TOWNS, COUNTIES AND COUNTY CENSUS DIVISIONS

The following table presents population and median household income information for Montana counties, county census divisions, and incorporated cities and towns, according to the current census. CDBG applicants should use this income information in conjunction with the "Need for Financial Assistance" ranking criterion (Number 5) for public facility projects.

The table is divided into two parts: Part A and Part B. Part A presents information for counties and county census divisions. CDBG applications submitted by counties, including county applications submitted on behalf of unincorporated communities (water and sewer districts) should use the information presented in Part A. For information regarding which county census division an unincorporated community lies within, please contact:

Census and Economic Information Center
Department of Commerce
1424 9th Avenue
Capitol Station
Helena, Montana 59620

Tel. No. 444-2896.

Part B presents information for municipalities. CDBG applications submitted by incorporated cities and towns should use the information presented in Part B.

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Montana	799,065	22,988
Beaverhead County	8,424	20,925
Big Hole Basin division	672	23,250
Clark Canyon-Horse Prairie division	400	15,446
Dillon division	6,919	21,079
Lima-Centennial Valley division	433	19,605
Big Horn County	11,337	19,101
Crow Reservation division	6,156	16,620
Hardin division	3,879	21,821
Northern Cheyenne division	1,118	13,828
Tongue River division	184	40,972
Blaine County	6,728	18,512
Chinook division	2,807	21,559
Fort Belknap division	2,319	13,603
Harlem division	1,602	16,316
Broadwater County	3,318	20,257
Townsend East division	2,509	19,178
Townsend West division	809	22,031
Carbon County	8,080	19,042
Carbon East division	534	20,156
Fromberg-Bridger division	1,617	17,750
Joliet division	1,860	24,041
Red Lodge division	3,252	19,010
Roberts division	817	13,812
Carter County	1,503	16,458
Ekalaka division	886	15,888
Little Missouri division	617	17,885
Cascade County	77,691	23,700
Belt division	1,752	22,292
Cascade division	1,602	23,661
Eden-Stockett division	1,369	28,649
Great Falls division	67,903	23,394
Great Falls North division	2,234	29,107
Monarch-Neihart division	160	14,688
Sun River Valley division	2,671	24,608
Chouteau County	5,452	22,362
Big Sandy division	1,634	23,682
Fort Benton division	2,713	22,835
Geraldine division	1,105	19,637
Custer County	11,697	21,348
Miles City division	10,606	21,221
Mizpah-Pumpkin division	436	20,583

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
North Custer division	342	30,313
Shirley-Ismay division	313	20,625
Daniels County	**2,266**	**21,433**
Daniels North division	2,175	21,431
Fort Peck Reservation division	91	21,458
Dawson County	**9,505**	**23,414**
Dawson North division	1,106	16,531
Glendive division	8,399	24,083
Deer Lodge County	**10,278**	**20,281**
Anaconda division	8,595	19,994
Deer Lodge Valley division	1,683	22,563
Fallon County	**3,103**	**23,162**
Baker division	2,671	23,750
Plevna division	432	19,821
Fergus County	**12,083**	**21,398**
Denton division	777	22,100
Grass Range division	658	25,313
Hanover division	700	20,724
Lewistown division	9,219	21,292
Roy division	359	21,630
Winifred division	370	20,938
Flathead County	**59,218**	**24,145**
Bad Rock-Columbia Heights division	3,203	25,309
Columbia Falls division	6,129	25,575
Creston-Bigfork division	5,121	25,211
Glacier National Park division	98	57,551
Kalispell division	26,628	22,432
Kalispell Northwest division	2,557	28,438
Kalispell Southwest division	1,364	22,750
Lower Valley-Somers division	2,658	24,792
South Fork division	1,970	16,932
Whitefish division	9,490	26,250
Gallatin County	**50,463**	**23,345**
Belgrade division	9,060	26,827
Bozeman division	31,218	21,937
Gallatin Gateway division	2,846	25,887
Manhatten division	3,444	24,365
Three Forks division	1,952	22,200
West Yellowstone division	1,943	25,238
Garfield County	**1,589**	**17,201**
North Garfield division	1,099	17,792
South Garfield division	490	15,000

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Glacier County	**12,121**	**18,598**
Blackfeet division	7,778	14,578
Cut Bank division	4,302	24,410
Glacier National Park division	41	40,417
Golden Valley County	**912**	**18,062**
Lavina division	366	18,750
Ryegate division	546	17,941
Granite County	**2,548**	**18,278**
Drummond division	1,034	18,984
Philipsburg division	1,514	17,321
Hill County	**17,654**	**25,467**
Gilford division	907	26,447
Havre division	13,328	25,838
Rocky Boy division	2,012	18,859
Rudyard division	733	22,500
Wild Horse Lake division	674	34,432
Jefferson County	**7,939**	**31,400**
Boulder division	5,285	35,310
Whitehall division	2,654	25,299
Judith Basin County	**2,282**	**22,578**
Geyser division	500	21,964
Hobson division	840	24,896
Stanford division	942	21,875
Lake County	**21,041**	**19,755**
Big Fork-Swan River division	2,216	23,904
Charlo division	1,207	19,327
Polson division	7,877	18,286
Ronan division	6,140	19,464
St. Ignatius division	3,601	19,724
Lewis and Clark County	**47,495**	**26,409**
Augusta division	842	18,889
Helena division	42,518	26,733
Lincoln division	2,921	24,865
Wolf Creek division	1,214	24,219
Liberty County	**2,295**	**24,969**
Chester division	1,798	25,612
Joplin division	497	22,692
Lincoln County	**17,481**	**20,898**
Eureka division	4,166	20,000
Libby division	10,182	22,097
Troy division	3,133	18,333

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
McCone County	2,276	20,487
Circle division	1,504	20,878
North McCone division	772	19,219
Madison County	5,989	22,066
Harrison division	872	21,667
Madison Valley division	1,986	27,134
Sheridan division	1,532	18,883
Twin Bridges division	1,357	18,378
Virginia City division	242	20,000
Meagher County	1,819	18,936
Martinsdale-Ringling division	334	16,548
White Sulphur Springs division	1,485	19,688
Mineral County	3,315	20,938
Alberton division	526	21,118
Superior division	1,811	22,415
West End division	978	17,721
Missoula County	78,687	23,388
Frenchtown-Evaro division	4,425	31,189
Lolo division	5,711	30,088
Missoula division	65,984	22,502
Seeley Lake-Blackfoot Valley division	2,567	23,821
Musselshell County	4,106	16,661
Klein division	1,037	18,839
Melstone division	562	17,188
Roundup division	2,507	16,163
Park County	14,562	22,658
Gardiner-Cooke division	1,869	28,021
Shields Valley division	1,600	18,375
Upper Yellowstone Valley division	11,093	22,580
Petroleum County	519	19,219
Winnett North division	160	16,667
Winnett South division	359	19,821
Phillips County	5,163	22,245
Belknap division	166	8,714
Malta division	4,106	21,938
Phillips South division	362	30,000
Whitewater division	529	24,904
Pondera County	6,433	23,533
Blackfeet East division	108	21,667
Blackfeet West division	602	18,421
Conrad division	4,178	25,594
Valier-Dupuyer division	1,545	21,667

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Powder River County	**2,090**	**22,354**
Broadus division	1,071	22,016
East Powder River division	607	20,592
Otter division	412	26,923
Powell County	**6,620**	**21,621**
Avon-Elliston division	873	20,214
Deer Lodge division	5,236	22,660
Helmville division	511	16,042
Prairie County	**1,383**	**16,694**
Terry North division	221	19,375
Terry South division	1,162	16,447
Ravalli County	**25,010**	**21,113**
Darby division	1,657	19,177
Hamilton division	12,843	19,505
Stevensville division	7,797	24,338
Sula-Edwards division	1,001	22,188
Victor division	1,712	22,390
Richland County	**10,716**	**23,264**
Fairview division	1,672	17,965
Lambert division	669	22,829
Savage-Crane division	1,193	21,857
Sidney division	7,182	24,517
Roosevelt County	**10,999**	**19,445**
East Roosevelt division	1,712	21,866
Fort Peck Reservation division	9,287	18,699
Rosebud County	**10,505**	**27,192**
Ashland division	498	22,857
Forsyth division	2,774	25,388
Northern Cheyenne division	2,788	14,675
North of the Yellowstone division	652	22,562
Rosebud division	3,793	41,846
Sanders County	**8,669**	**18,616**
Flathead division	1,641	14,147
Plains division	2,533	19,228
Thompson Falls-West End division	4,495	19,852
Sheridan County	**4,732**	**20,728**
Fort Peck Reservation division	132	28,125
Medicine Lake division	945	15,769
Plentywood division	3,133	21,348
Westby division	522	24,750
Silver Bow County	**33,941**	**21,216**

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Butte division	33,122	20,936
Silver Bow Northwest division	483	45,455
Silver Bow South division	336	30,625
Stillwater County	**6,536**	**23,582**
Absarokee division	1,902	27,043
Columbus division	2,761	22,957
Park City division	1,398	22,332
Stillwater North division	475	20,909
Sweet Grass County	**3,154**	**20,867**
North of the Yellowstone division	700	21,490
South of the Yellowstone division	2,454	20,642
Teton County	**6,271**	**22,072**
Chouteau division	3,182	21,485
Dutton-Power division	1,250	25,547
Fairfield division	1,839	21,875
Toole County	**5,046**	**25,108**
South Toole division	3,498	26,694
Sunburst division	1,548	21,595
Treasure County	**874**	**18,152**
North Treasure division	286	16,406
South Treasure division	588	19,196
Valley County	**8,239**	**21,781**
Fort Peck Reservation division	1,212	15,167
Glasgow division	5,165	22,023
Hinsdale division	699	21,212
Opheim division	455	21,312
South Valley division	708	32,292
Wheatland County	**2,246**	**16,946**
Harlowton division	1,707	16,937
Judith Gap-Shawmut division	539	16,974
Wibaux County	**1,191**	**19,375**
Pine Hills-St. Phillips division	264	15,625
Wibaux division	927	20,333
Yellowstone County	**113,419**	**25,942**
Billings division	89,040	25,726
Buffalo Creek division	252	22,813
Huntley Project division	2,893	24,543
Laurel division	11,214	23,990
Northwest Yellowstone division	2,618	37,635
Shepherd division	2,980	33,398
South Yellowstone division	4,422	28,169

PART A
FOR USE BY COUNTIES
1989 MEDIAN INCOME FOR STATE, COUNTIES, AND SUBDIVISIONS

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Yellowstone National Park	52	31,250
Yellowstone National Park division	52	31,250

PART B
FOR USE BY CITIES
1989 MEDIAN INCOME FOR ALL PLACES

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Montana	799,065	22,988
Non-Metro	607,955	22,345
Absarokee CDP	964	26,602
Alberton town	370	21,125
Anaconda-Deer Lodge County	10,278	20,281
Arlee CDP	486	19,917
Ashland CDP	385	12,222
Bainville town	146	22,917
Baker city	1,841	25,000
Bearcreek town	40	15,625
Belgrade city	3,411	22,044
Belt city	535	18,056
Big Sandy town	747	24,167
Big Timber city	1,557	18,125
Billings city	81,151	25,639
Bonner-West Riverside CDP	1,654	16,509
Boulder town	1,316	20,536
Bozeman city	22,660	19,168
Bridger town	710	16,742
Broadus town	559	22,321
Broadview town	136	25,938
Brockton town	368	13,375
Browning town	1,170	13,750
Busby CDP	452	8,113
Butte-Silver Bow (remainder)	33,309	21,307
Cascade town	738	19,659
Charlo CDP	406	22,000
Chester town	942	22,500
Chinook city	1,497	19,276
Chouteau city	1,741	19,482
Circle town	811	20,150
Clyde Park town	315	14,306
Colstrip CDP	3,185	42,467
Columbia Falls city	3,098	23,328
Columbus town	1,573	19,914
Conrad city	2,850	25,039
Crow Agency CDP	1,367	22,150
Culbertson town	780	23,125

PART B
FOR USE BY CITIES
1989 MEDIAN INCOME FOR ALL PLACES

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Cut Bank city	3,329	23,378
Darby town	663	17,500
Deer Lodge city	3,344	21,775
Denton town	382	20,625
Dillon city	3,991	19,732
Dodson town	126	22,917
Drummond town	258	15,208
Dutton town	394	20,795
East Glacier Park Village CDP	352	28,077
East Helena town	1,538	25,720
Ekalaka town	414	15,192
Ennis town	766	27,417
Eureka town	1,017	18,974
Evergreen CDP	4,109	18,438
Fairfield town	658	22,250
Fairview city	869	18,250
Finley Point CDP	376	24,375
Flaxville town	77	22,500
Forsyth city	2,123	26,729
Fort Belknap CDP	417	15,469
Fort Benton city	1,653	22,469
Fort Peck town	333	37,788
Frazer CDP	401	10,962
Froid town	230	14,861
Fromberg town	352	13,611
Geraldine town	300	19,732
Glasgow city	3,574	20,766
Glendive city	4,802	22,240
Grass Range town	150	16,136
Great Falls city	55,097	23,113
Hamilton city	2,737	14,913
Hardin city	2,940	21,045
Harlem city	897	18,977
Harlowtown city	1,049	16,619
Havre city	10,322	25,646
Havre North CDP	989	19,400
Hays CDP	344	8,521
Heart Butte CDP	540	16,250
Helena city	24,346	25,462
Helena Valley Northeast CDP	1,775	32,583
Helena Valley Northwest CDP	1,231	35,536
Helena Valley Southeast CDP	4,601	26,559
Helena Valley West Central CDP	6,327	31,822
Helena West Side CDP	1,880	25,223
Hingham town	150	25,536
Hobson town	231	25,625

PART B
FOR USE BY CITIES
1989 MEDIAN INCOME FOR ALL PLACES

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Hot Springs town	363	9,052
Hysham town	371	18,958
Ismay town	6	4,999
Joliet town	492	16,875
Jordan town	480	17,933
Judith Gap city	136	16,500
Kalispell city	11,917	19,950
Kevin town	190	16,667
Kicking Horse CDP	288	22,083
Lame Deer CDP	1,867	13,425
Laurel city	5,686	21,117
Lavina town	174	16,094
Lewistown city	6,051	19,780
Libby city	2,644	18,036
Lima town	269	18,000
Livingston city	6,701	20,208
Lockwood CDP	3,967	26,108
Lodge Grass town	509	6,169
Lolo CDP	2,746	29,280
Malmstrom AFB CDP	5,938	22,348
Malta city	2,340	19,836
Manhattan town	1,018	21,563
Medicine Lake town	362	14,659
Melstone town	170	20,865
Miles City city	8,461	21,224
Missoula city	42,918	21,033
Moore town	208	20,238
Muddy CDP	385	17,250
Nashua town	371	16,550
Neihart town	47	18,750
North Browning CDP	1,630	14,537
Opheim town	141	18,542
Orchard Homes CDP	10,317	22,685
Outlook town	113	24,063
Pablo CDP	1,264	19,615
Philipsburg town	925	14,673
Pinesdale town	532	17,500
Plains town	1,040	18,954
Plentywood city	2,119	20,666
Plevna town	166	19,063
Polson city	3,254	14,231
Poplar city	878	15,662
Pryor CDP	700	13,561

PART B
FOR USE BY CITIES
1989 MEDIAN INCOME FOR ALL PLACES

AREA NAME	1990 POPULATION	1989 MEDIAN HOUSEHOLD INCOME
Red Lodge city	1,958	17,375
Rexford town	137	30,486
Richey town	250	13,333
Ronan city	1,574	15,868
Roundup city	1,804	16,319
Ryegate town	299	17,955
Saco town	275	19,444
St. Ignatius town	781	17,037
Scobey city	1,160	21,552
Shelby city	2,763	25,417
Sheridan town	641	17,824
Sidney city	5,217	23,120
South Browning CDP	1,748	8,810
Stanford town	528	20,227
Starr School CDP	265	13,750
Stevensville town	1,221	16,964
Sunburst town	444	26,667
Sun Prairie CDP	1,356	28,824
Superior town	865	20,109
Terry town	653	15,809
Thompson Falls city	1,319	19,659
Three Forks town	1,203	20,121
Townsend city	1,635	18,594
Troy city	974	18,107
Twin Bridges town	384	12,969
Valier town	537	22,062
Virginia City town	150	22,917
Walkerville city	632	16,786
Westby town	265	26,125
West Yellowstone town	929	21,950
Whitefish city	4,368	21,569
Whitehall town	1,067	19,674
White Sulphur Springs city	954	19,141
Wibaux town	608	18,214
Winifred town	140	20,909
Winnett town	169	17,875
Wolf Point city	2,880	21,290

APPENDIX C.7

GRANT AWARDS FOR THE FALL, 1993
COMMUNITY DEVELOPMENT BLOCK GRANT COMPETITION

HOUSING PROJECTS

NAME OF APPLICANT: City of Kalispell

CDBG AWARD:	$247,500	
OTHER FUNDS:	100,000	UDAG Program Income
	80,000	City of Kalispell-Land Value Contribution
	300,000	HOME
	271,000	MT Board of Housing Loan
	698,500	HRDCs Various applications (HOME, HOPE 4, & Supportive Services)

TOTAL PROJECT: $1,697,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The City of Kalispell will participate in a joint venture with Northwest Montana Human Resources, Inc. for the construction of four eight-plexes which will contain a total of sixteen units of "transitional living" and sixteen rental units for mixed-family size on approximately two acres. The 32 units will assist families of low and very low incomes. CDBG funding is being requested for land acquisition and site improvements. Four of the mixed-family size units will be wheelchair accessible, and the remaining will be constructed to the Universal Design Concept so they will accommodate people with other types of disabilities.

NAME OF APPLICANT: City of Miles City

CDBG AWARD:	$313,147	
OTHER FUNDS:	50,000	City of Miles City
	300,000	Local Banks

TOTAL PROJECT: $663,147

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The City of Miles City through the Miles City Housing Authority will begin a program of Housing Rehabilitation and Neighborhood Revitalization in a neighborhood of Miles City located immediately northwest of the downtown. Forty-five multi-family housing units will be rehabilitated in a 28 city block area comprised of over 80% substandard housing where 79% of the residents have low or moderate income. In addition, the program will destroy four dangerous structures containing 13 uninhabitable housing units, and organize a volunteer program to provide painting and maintenance assistance to very low income disabled homeowners.

NAME OF APPLICANT: City of Poplar
CDBG AWARD: $400,000
OTHER FUNDS: 100,000 FmHA - HPG
324,000 HOME
12,500 HRDC
150,000 Trader's State Bank
TOTAL PROJECT: $986,500
PROJECT BENEFIT TO LOW AND MODERATE INCOME: 100%
PROJECT DESCRIPTION: The City of Poplar will begin a Housing Rehabilitation and Neighborhood Revitalization program for the entire townsite. The program consists of two phases: Phase I (1994-1995) and Phase II (1996-97). CDBG funds will be used to rehabilitate houses in Phase I. Five severely substandard housing units will be demolished, and 40 substandard housing units will be rehabilitated. The City of Poplar will apply for $330,000 in HOME funds to construct an 8-unit low-income housing complex. In addition, the City of Poplar will apply for FmHA/HPG funds in the amount of $100,000 to rehabilitate approximately nine very low and low income housing units.

NAME OF APPLICANT: City of Red Lodge
CDBG AWARD: $400,000
OTHER FUNDS: 75,000 FmHA/HPG
300,000 HOME
4,080 HRDC
300,000 Banks
40,000 HOME (Match)
TOTAL PROJECT: $1,410,288
PROJECT BENEFIT TO LOW AND MODERATE INCOME: 100%
PROJECT DESCRIPTION: The City of Red Lodge will rehabilitate 50 substandard housing units and demolish two severely substandard housing units. A Summer Youth Employment program will be implemented to direct blight removal and community beautification efforts city-wide. The City of Red Lodge will apply for $300,000 in HOME funds for housing rehabilitation funding and to FmHA/HPG.

NAME OF APPLICANT: City of Ronan
CDBG AWARD: $400,000
OTHER FUNDS: 150,000 Ronan State Bank
TOTAL PROJECT: $550,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%
PROJECT DESCRIPTION: The City of Ronan will, with the $360,000 in non-administrative funds provided by this CDBG grant, rehabilitate 38 substandard housing units in Ronan. The Ronan State Bank contribution will enable the project to reach as many households as possible.

PUBLIC FACILITIES PROJECTS

NAME OF APPLICANT: Town of Broadview

CDBG AWARD:	$400,000	
OTHER FUNDS:	125,000	Revenue Bond
	30,000	MDOT

TOTAL PROJECT: $555,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 69%
PROJECT DESCRIPTION: The Town of Broadview's existing well failed in May, 1993 and cannot be restored. This project will: drill a new well; replace water lines under a state highway; and, replace deteriorated cast iron water mains. Current problems include lack of fire flows, failed valves, poor water pressure, in-line suction, and ground water contamination. The project will serve 58 households, 69% of which are LMI. The town will match CDBG funds with a $125,000 Revenue Bond issue.

NAME OF APPLICANT: Town of Ennis

CDBG AWARD:	$400,000	
OTHER FUNDS:	5,000	Ennis Town Funds
	585,000	DNRC Loan
	100,000	TSEP Grant

TOTAL PROJECT: $1,090,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 52%
PROJECT DESCRIPTION: The Town of Ennis will improve their water storage and distribution system to eliminate the potential for stagnant and/or contaminated water while providing adequate capacity and water pressure for fire suppression. The project will include: construction of a 300,000 gallon reservoir; installation of a twelve-inch transmission main line; installation of a second pressure zone with a booster pump station; and improvements to the distribution system.

NAME OF APPLICANT: City of Fromberg

CDBG AWARD:	$400,000	
OTHER FUNDS:	25,850	Prior CDBG Program Income Account
	734,150	FmHA Loan

TOTAL PROJECT: $1,160,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 69%
PROJECT DESCRIPTION: The Town of Fromberg will relocate their water source (3 wells) from the floodplain of the Clarks Fork River to a suitable location within the town limits. The project will include: constructing a 160,000 gallon storage tank; replacing 8,650 feet of water mains; installing additional valves and loops; and, installing a meter system to provide equitable consumption charges and promote water conservation.

NAME OF APPLICANT: Hill County/Box Elder
CDBG AWARD: $322,105
OTHER FUNDS: 30,000 Hill County SID Reserve Funds
68,535 FmHA or SRF Loan
TOTAL PROJECT: $420,640
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 70%
PROJECT DESCRIPTION: Hill County, on behalf of Box Elder Rural Special Improvement District, is requesting funds to improve the existing treatment facility and make minor repairs to part of the collection system. The original system is not functioning properly due to seepage and the deteriorated condition of the control gates and structures. There is currently no discharge from the facility.

NAME OF APPLICANT: City of Lewistown
CDBG AWARD: $400,000
OTHER FUNDS: 40,000 Lewistown City Budget
87,085 Council on Aging
TOTAL PROJECT: $527,085
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 85%
PROJECT DESCRIPTION: The City of Lewistown will remodel an existing city building into a senior citizen center. Lewistown's fastest growing population is senior citizens and Lewistown is the only city of its size in Montana that does not have a public senior citizen center. The Council on Aging has been limited in the programs and functions it can offer due to the increased population and the lack of a senior citizen center.

NAME OF APPLICANT: Meagher County
CDBG AWARD: $305,000
OTHER FUNDS: 70,000 Meagher Co. Senior Center
TOTAL PROJECT: $375,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 78%
PROJECT DESCRIPTION: Meagher County will construct a new facility to house the senior citizens center and the local Headstart program. The current senior citizen's center is deteriorating, and soon may not meet safety standards. The inadequacies of the facility also limit the activities of the seniors. The facility would be heated geothermally.

NAME OF APPLICANT: Mineral County/St. Regis Sewer District
CDBG AWARD: $400,000
OTHER FUNDS: 350,000 FmHA Loan
1,050,000 FmHA Grant
60,000 St. Regis SID
TOTAL PROJECT: $1,860,000
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 70%

PROJECT DESCRIPTION: Mineral County, on behalf of the St. Regis Sewer District, is requesting funds to build a wastewater collection system and land application treatment facility for the community of St. Regis. The current on-site treatment systems pose a serious health hazard and are directly impacting groundwater quality.

NAME OF APPLICANT: Missoula County/Linda Vista

CDBG AWARD:	$290,000	
OTHER FUNDS:	1,747,000	SRF
	100,000	DNRC
	100,000	Missoula Water Quality District

PROJECT TOTAL: $2,237,200
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%
PROJECT DESCRIPTION: The Missoula County Commissioners have been directed by the MDHES to address the problem of contaminated groundwater in the Linda Vista/Lower Miller Creek Area. To comply, the Commissioners will create a Rural Special Improvement District for the purpose of installing public sewer over 100 percent protest by property owners. CDBG funds will be used in conjunction with other funds to provide assistance to eligible households for their share of the RSID assessments, on-site construction costs and hook-up fees.

NAME OF APPLICANT: City of Missoula

CDBG AWARD:	$375,000	
OTHER FUNDS:	200,637	Missoula Sewer Dev. Fund
	563,540	SID Assessment

TOTAL PROJECT: $1,139,177
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%
PROJECT DESCRIPTION: The City of Missoula will construct sewer mains in the California Street area and use CDBG funds to provide financial assistance to residents of this area. Financial assistance will be offered in the following ways: payment of SID assessments for low and moderate income homeowners; payment of hook-up costs for low-income, owner-occupied households; and landlords renting to low and moderate income tenants will have a portion of SID assessments paid.

NAME OF APPLICANT: City of Shelby

CDBG AWARD:	$200,000	
OTHER FUNDS:	400,800	Shelby Water Dept. Funds
	434,000	State Revolving Fund
	366,000	Treasure State Endowment Program

TOTAL PROJECT: $1,400,800
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 54.5%
PROJECT DESCRIPTION: The City of Shelby will place new water lines in the streets and replace the existing sewer lines. The sewer lines are currently in violation of

MDHES standards due to their close proximity to water lines. Residents have experienced sewage backups for many years, and the frequency and severity of the backups is ever increasing.

NAME OF APPLICANT: Stillwater County/Reed Point Sewer & Water District
CDBG AWARD: $200,000
OTHER FUNDS: 130,000 FmHA Loan
805,645 FmHA Grant
200,000 TSEP Grant
TOTAL PROJECT: $1,335,645
PERCENT BENEFIT TO LOW AND MODERATE INCOME: 71%
PROJECT DESCRIPTION: Stillwater County, on behalf of the Reed Point Sewer and Water District, is requesting funds to design and construct a sewage waste disposal system. Reed Point currently does not have a community sewage disposal and treatment system, and the individual septic tanks and drainfields are substandard and are contributing to serious environmental pollution.

APPENDIX C.8

SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NONPROFIT ORGANIZATIONS

Local governments can apply on behalf of private nonprofit organizations such as a local economic development corporation or senior citizen organization. Nonprofit organizations may acquire title to public facilities such as senior centers, centers for the handicapped, or Head Start Centers. When such facilities are owned by nonprofit organizations, they must be open for use by the general public during all normal hours of operation. Nonprofit organizations may also be involved in the construction of new permanent residential structures for low and moderate income persons.

A. Nonprofit Organization Defined

Any nonprofit organization to be assisted with CDBG funds must be incorporated under Montana law and recognized as a nonprofit, 501 (c) tax exempt organization under U.S. Internal Revenue Service (IRS) regulations.

B. Nondiscrimination

Any nonprofit organization to be assisted with CDBG funds must agree to provide its services or operate its facilities without discrimination, in accordance with the civil rights laws and regulations of the United States and the State of Montana. These laws and regulations prohibit any discrimination on the basis of race, color, national origin, sex, religion, handicap, age, or family status (families with children). Any organization receiving CDBG assistance must also carry out equal employment opportunity hiring practices.

C. Operating Plan

Each applicant must submit an operating plan for any nonprofit organization which it proposes to assist. Each operating plan must include the following elements with sufficient detail for adequate analysis:

1. Description of Organization

   Describe the purpose and history of the organization. Include a copy of the organization's bylaws.

2. Services Provided

Describe the services provided, geographic service area and potential for expansion of services provided or the service area. Describe the target population served (age, sex, special needs, etc.). The operating plan should describe in detail how the CDBG project will affect the services to be provided and how the organization and its members or clientele will be affected if CDBG funds are not received.

3. Management

Provide the names, titles, and brief description of the background and management experience of the persons responsible for management of the organization or project, as well as the members of the organization's board of directors. Describe how the organization's finances are managed and whether they are formally reviewed on a regular basis.

4. Sources and Uses of All Funding

Describe the sources, proposed uses, and financial terms for all funds to be included in the project. The description should clearly justify the amount of CDBG assistance applied for and explain the intended use of the funds.

D. Financial Exhibits

The nonprofit organization must be able to demonstrate that projected income will be sufficient to cover any projected debt service and current and projected operating costs, including long-term operation and maintenance. Each applicant submitting on behalf of a nonprofit organization must include the following financial exhibits with the application:

1. Financial Statements

For existing organizations, provide financial statements for the three most recent years of operation including a balance sheet describing assets and liabilities and a revenue and expense statement.

Financial statements, compiled or reviewed by an independent certified public accountant are preferred. All financial information must be signed by a responsible officer for the organization.

2. Income and Expense Projections

Adequate income projections are necessary to demonstrate the long-term financial soundness of the project. The organization must provide projected balance sheet and revenue and expense statements for a three-year period following receipt of CDBG funds which includes all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements, as well as current and long-term operating capital needs. The projections must include an explanation of how the figures and assumptions were developed.

3. Federal Internal Revenue Service Forms

a. The nonprofit organization must submit verification of its IRS 501(c) status.

b. Any private nonprofit organization which is required to submit IRS Form 990 (Return of Organization Exempt From Income Tax), must submit a copy for the three most recent years of operation. (Organizations whose annual gross receipts are normally more than $25,000 must file Form 990.)

APPENDIX C.9

FINANCIAL INDICATORS FOR DETERMINING APPROPRIATE LEVELS OF CDBG ASSISTANCE

In order to score applications on this priority, DOC staff will prepare a financial assessment to help determine each applicant's relative need for CDBG assistance. The financial assessment will also serve as the basis for DOC's recommendations regarding the amount of financial assistance to be awarded each project.

It is the goal of the CDBG program that communities should make maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project and that when CDBG funds are awarded, that communities should participate in the funding of any public facility project in proportion to their financial resources.

The major challenge is then to try to define "reasonable local effort." The CDBG guidelines incorporate a variety of financial indicators for comparing local participation in CDBG-assisted public facility projects. None of the indicators viewed individually may give a clear picture of the applicant's need for CDBG assistance. However, when taken together, they do provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant.

Water and Sewer Projects

While some financial indicators are suitable for all types of projects, others are only appropriate for water or sewer projects. The key indicators to be used for water and sewer projects are:

1. User Charges Relative to Median Household Income

Previously, the CDBG Program used a guideline adapted from one used for many years by the U.S.D.A. Farmers Home Administration (FmHA) to determine "reasonable local effort" for financing sewer and water projects. This guideline used 1% of a community's median household income (MHI) as a guide for defining an "affordable" annual user charge for water or sewer. This approach is based on the assumption that the ability to pay a particular user rate is related to the median income level in a community and that communities with higher median incomes can afford higher user rates than those with lower median incomes. Use of the 1% MHI rate calculation also allows a relatively easy and fair comparison between communities.

For example, based on 1990 Census data, the 1989 annual median household income for Montana was $22,988. Applying the 1% MHI guideline, one percent of $22,988 equals $229.88. This amount, divided by twelve months would indicate an equivalent target monthly user charge of $19.16 per month. The 1% guideline was based on 1980 MHI levels and construction costs in the 1980's, which resulted in an average 1% of MHI target rate of approximately $25 per month, when maintenance and operation charges were included.

Recently, because of the increasing cost of new water and sewer facilities, current monthly user charges for recently improved water and sewer facilities are averaging about $30 per month, including $5-10 per month charges for operation and maintenance. This amount calculated on an annual basis equals $360 or an amount equal to about 1.5% of Montana's median household income, $22,988 (1990 Census).

Therefore, during the review of FY94 CDBG applications, DOC staff will use 1.5% of a community's median household income (MHI) as a general guide to analyze whether a community's user charge for sewer or water services demonstrates "reasonable local effort." This means that the applicant should propose a financing strategy or package where the proposed annual user charge, for the single facility to be assisted, is <u>at a minimum</u> equal to 1.5% of the community's MHI. An applicant whose proposed user charges for the single facility to be assisted would exceed 1.5% MHI would thus demonstrate an even greater need for CDBG assistance. (In computing the proposed user charge, the applicant must include all sources of funds including the CDBG funds requested. There are additional requirements for computing the proposed charge, in order to ensure a fair comparison between all CDBG applicants. For details, see the Montana Community Facilities Financial Information Form. Appendix C.6 contains median household income (MHI) information for Montana communities.

2. Total Debt per Household Ratio Relative to Median Household Income

Debt per household is calculated by dividing the applicant's total long-term debt for the single facility to be assisted (including the new proposed debt to be incurred for the CDBG project) by the total number of households that would benefit from the proposed project. During the review of FY93 CDBG applications, DOC staff used $2,000 of bonded indebtedness per household for a single utility as a guideline beyond which the overall debt burden may become excessive for community residents. This debt to household ratio is an industry norm used by bond underwriters to evaluate the capacity of local governments to incur additional bonded indebtedness. This range is equivalent to 9% of Montana's 1990 median household income (MHI) $22,988. As with the use

of the percentage of MHI as a guide for affordable user charges, it is based on the assumption that the ability to carry a particular level of debt is related to the median income level in a community and that communities with higher median incomes can afford to carry higher levels of debt than those with lower median incomes.

The 9% MHI for bonded indebtedness will be used by DOC as a general guide for defining the upper limits of a "reasonable" level of debt for a single utility. This means that, if possible, the applicant should propose a financing package where the proposed bonded indebtedness, for the single utility to be assisted, would be a maximum of 9% of the community's MHI. Applicants whose proposed bonded indebtedness exceeds 9% would thus demonstrate an even greater need for CDBG assistance.

In addition, DOC staff will analyze both the applicant's level of debt for the utility to be assisted by CDBG as well as the overall level of long-term (bonded) indebtedness for all basic utilities (water, sewer, and solid waste) relative to MHI.

See the Montana Community Facilities Financial Information Form which the applicant will use to report information on debt.

3. Combined Water and Sewer Rates

A third indicator to be used for water and sewer projects is the proposed rate for the utility for which CDBG assistance is requested (such as water) plus the current monthly per household charge for the other basic utility (such as sewer). The total of the projected water and sewer rates per month for each community will be compared with other CDBG applicants. The combined rate will also be calculated as a percentage of the community's MHI and compared to other CDBG applicants. This will give DOC a picture of the overall user charge burden for households in each community. DOC staff will compute this indicator from data supplied by the applicant on the Montana Community Facilities Financial Information Form.

4. The Affordability Index

The "affordability index" or ranking will compare the relative ability of each applicant to pay the costs of additional local government public works improvements. **The "index" is a summation of an average household's total obligation for local government user fees and tax payments divided by the community's median household income.** For this calculation, DOC will analyze local government user fees including current annual water, sewer and solid

waste charges plus the increased fees the applicant will incur with its proposed CDBG project. The local government's overall tax burden will be determined by multiplying the total mill levy (which includes municipal or county mills plus education mills) in the county or municipal taxing jurisdiction by the average value of a residence in the jurisdiction. The fees and tax burden will be added together and divided by the median household income for the municipality, county, or county census division for unincorporated areas.

In order to make similar comparisons, municipalities will be compared and ranked against each other. The same will be done with counties and county water/sewer districts. DOC will compute the affordability index from data supplied by the applicant on the Montana Community Facilities Financial Information Form and from data from other statewide sources.

Solid Waste, Storm Drainage, Senior Citizen Centers and other Projects

Unlike water and sewer projects, there are no generally accepted standards for determining a community's ability to afford projects such as solid waste disposal systems, storm drainage projects, senior citizen centers, and other similar public facilities. DOC will base its financial analysis of these projects on a comparison of the "Affordability Index" for each applicant, projected debt per household, and projected per household fees or assessments for applicants submitting similar projects for CDBG assistance, where applicable.

NOTE: Each CDBG applicant must provide a completed copy of the Montana Community Facilities Financial Information Form to provide a common basis for comparison of the financial situation of all CDBG applicants. The pertinent information referred to above will be provided by completing this form.

MONTANA

COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM

DRAFT
1995 APPLICATION GUIDELINES FOR

ECONOMIC DEVELOPMENT PROJECTS

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ECONOMIC DEVELOPMENT PROJECTS

I. INTRODUCTION

The economic development category of Montana's Community Development Block Grant (CDBG) Program is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate income persons. CDBG funds, which are received annually from the U.S. Department of Housing and Urban Development (HUD), are intended to be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques and those of other federal programs such as the Economic Development Administration and Small Business Administration. The program is also designed to complement the Department of Commerce programs for business assistance such as those administered by the Economic Development Division, the Montana Board of Investments, and the Montana Science and Technology Alliance.

A. ELIGIBLE ACTIVITIES

The Montana CDBG program has limited financial resources and, as such, places highest priority on projects which will have the greatest potential for creating long-term employment opportunities for low and moderate income Montanans and for providing other long-term economic benefits to Montana's communities.

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses. Retail and service businesses have the greatest potential of creating local conflict over the provision of assistance to competitors. The purpose of the CDBG program is to create jobs, but not if assistance will result in other jobs being lost in a community or region. The decision to submit an application in this situation is principally a local one. The Department will consider local comments in the hearings, particularly in regard to concerns expressed by local business interests.

The CDBG funds cannot be used as a direct financial incentive to relocate a business from one Montana community to another. The Department will consider situations on a case by case basis where businesses have made prior commitments to move their facility or operations three months prior to submittal of the CDBG application. All relevant factors, such as written agreements, will be reviewed to determine if any extenuating circumstances exist to support the need for new operations at a different location.

The CDBG economic development program is designed to assist businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates, and by providing public improvements in support of economic development activities.

Typical eligible activities that fall within the CDBG economic development category include: land acquisition; public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; loans for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants or loans from communities to nonprofit entities.

B. ELIGIBLE APPLICANTS

Eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Businesses are not eligible to apply directly to the Department. Special purpose agencies such as local development corporations are also not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if the eligible applicant agrees to such an arrangement.

Local governments that are currently administering one or more CDBG projects will not be eligible to reapply unless: (1) the current CDBG project(s) is/are being managed in an acceptable manner consistent with the implementation schedule contained in its CDBG contract with the Department and (2) the project management plan submitted with the new application is considered acceptable to the Department.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation.

1. County Applications

For projects proposed within the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will

include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to serve all county residents, including those located in the unincorporated jurisdiction of the county. Federal requirements prevent the State CDBG Program from granting funds to Yellowstone County and Cascade County for projects located within Billings and Great Falls city boundaries.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same economic development need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities.

2. Municipal Applications

For economic development projects proposed to serve residents within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction.

3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

a. the problem to be addressed lies in an area of contiguous jurisdictions;
b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and
c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the submittal date for the application.

The eligible local governments involved must each meet the requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and grant administration and financial management, should the full application be awarded funds.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which

identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

II. APPLICATION PROCEDURES

Applications prepared in response to these guidelines for economic development projects will be accepted on an open-cycle basis, after the Department receives HUD's notification of funding, until all available funds set aside for the FY 1995 CDBG economic development category are committed to approved projects. A total of $2,680,080 will be available for the 1995 CDBG economic development program. This amount represents 1/3 of the total amount of CDBG funds available for award in the 1995 program. The ceiling for each economic development grant request is $500,000. Although there is no minimum grant request, the Department does not encourage applications requesting less than $100,000 in CDBG funds, including administrative costs. Administrative costs for grantees and the state are generally not proportionate to the total grant amount requested and, therefore, can be very excessive for projects of less than $100,000. All administrative functions must be performed for all grants, regardless of size. Grants of less than $100,000 may require that the applicant pay for some administration costs with local funds. Applicants should consult the Department when considering administration costs. The level of difficulty in managing CDBG projects varies considerably depending on the type of project and requirements that are triggered for each.

Local governments may apply more than once in a fiscal year for economic development and may be eligible to receive up to a maximum of $500,000 in a program year for economic development projects. In addition, all eligible applicants may also apply for either a public facility or a housing project in spring and the fall CDBG competitions, even if they have already received the $500,000 limit for economic development projects.

Applicants should also be aware that in most cases it may take four to six weeks before any funds will actually be received after the decision to award a grant has been made. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the expenditures of federal funds must be finalized.

An application must be submitted to the Economic Development Division of the Department of Commerce (see address on Introduction page) using the form in Appendix D.1 and all other appropriate documentation to fully respond to these application guidelines. The application will be reviewed as soon as possible by the Department. If the application is complete, all minimum thresholds appear to have the

potential to be met, and the initial financial review indicates that the project may have the potential to be financially feasible and is properly structured, CDBG staff will commence a full review of the project and prepare a report for the loan review committee, generally within 30 days. If the application is considered incomplete, the Department will explain in writing the items needed to complete the application and why.

After HUD's funding allocation notice has been received by DOC, applications will be reviewed and analyzed by staff on a "first come, first served" basis, as determined by the date the full application is found to be complete by the Department. CDBG staff will work closely with applicants during the review process to negotiate any changes and resolve issues identified during the review. Staff will always consult the contacts from the business and the applicant community before an application is accepted as complete and the staff report is submitted to the loan review committee. Applications may be modified during the review in order to strengthen the project, especially the financial structure.

1. Order of Precedence for Loan Committee Review and Funding

Applications which are received and accepted as complete, and which have received staff analysis and recommendation, will be submitted to the loan review committee at the earliest available time after the financial analysis is finished.

Applications will be reviewed by the loan review committee, and will be funded, if approved by the committee and the Director, in the order in which they are submitted to the loan review committee. However, when more than one application is submitted to the committee in the same loan review cycle, they will be considered to be submitted simultaneously and will be reviewed and/or funded in the order of the dates on which the applications were accepted as complete.

The committee will make a recommendation to the Director, who will make the final decision on project awards. In the event that the Director revises the recommendation by the loan review committee, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternative decision was made.

2. Applications for Assistance to For-profit Businesses and Nonprofit Entities

Applicants should use the application summary found in Appendix D.1 and attach all required information. The for-profit business or nonprofit entity should complete the Business Application Requirements section of the guidelines and the local government will be responsible for the Local Government Application Requirements.

Note: It is recommended that the application guidelines booklet be split into the applicable sections to reduce the size of the application guidelines provided to the business.

3. Public Improvement Projects

Applications that propose public improvements as assistance to businesses will be accepted by the Department and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted. The procedures for determining whether a project meets the HUD "necessary or appropriate" guidelines for provision of assistance to a for-profit entity must be followed. A "financing gap" must be identified and documented in the financial package submitted with the application. The application must demonstrate that the provision of public improvements is "necessary or appropriate" and that other funds, including private funds from the business, are insufficient to complete the project without CDBG participation.

The application must meet the same threshold requirements, demonstrate viability, include a hiring and training plan for each business assisted, and meet all other appropriate requirements contained in these guidelines.

Federal regulations require that all businesses that receive assistance from the public improvement project must be tracked by the local government for a three year period. All jobs created from all businesses assisted must be counted towards the 51% benefit to low and moderate income threshold. An assessment of current businesses and prospective businesses that will benefit from the project must be conducted by the local government before the application is submitted. Contracts for public improvement projects will be for at least a three year period.

III. BUSINESS APPLICATION REQUIREMENTS

A. BUSINESS PLAN

NOTE: All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation or public entity without the express written consent of the business.

Each applicant must submit a business plan for each business or entity to receive direct assistance, whether for-profit or nonprofit. Each business plan must contain sufficient information for the Department to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial posture, and details

of the proposed venture. The business plan components contained in this section are required for CDBG economic development applications involving loans, grants, or public improvements directly assisting for-profit or non-profit entities.

The Montana CDBG Program has developed a brief Business Plan Outline which may be helpful in developing a business plan for the application.

Applications involving more than one business will require a longer review period. Each business included in an application will be evaluated and rated separately. An application will be more likely to be funded if all businesses proposed are financially strong individually. An otherwise strong application on behalf of more than one business may not be fundable, if a weaker business is included.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

1. Business Description

Include a description of the company or enterprise and an explanation of the products or services offered.

2. Management

Provide the names, titles, and resumes of each of the principals to be responsible for the management of the business.

3. Market

Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

4. Sources and Uses of All Funding

This section would discuss the source, use, and terms of all funds to be included in the project. Use the form in Appendix D.1 to list the sources and uses of all funding for the project.

No grants can be made to for-profit businesses. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc.), and the rationale for each must be included with the application.

5. Financial Exhibits

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e. changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the hiring and training plan.

The business plan must include the following financial exhibits:

a. <u>Financial Statements</u>

For existing businesses, provide financial statements for the three most recent years of operation to include the following:

-- Balance Sheet;
-- Profit and Loss Statement;
-- Cash Flow Statement; and
-- Reconciliation of Net Worth.

Current financial statements compiled or reviewed by an independent certified public accountant, <u>with full disclosure notes</u> are required for businesses that have been in operation for more than one complete business fiscal year. All financial information must be signed by a responsible officer of the business. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant time period gaps (more than 90 days) between the historical statements and the projected statements. The CPA prepared financial statement should not be dated more than 90 days prior to the date the application is submitted. The projections should use the same fiscal year periods as the historical financial statements. Applications that contain appropriate, updated, accurate financial information can be processed significantly quicker than incomplete applications that require Department requests for additional information.

b. <u>Earnings Projections</u>

Provide the following projections for three years:

-- Balance Sheet;
-- Profit and Loss Statement; and
-- Cash Flow Statement.

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break even point is projected to be reached by the business. For businesses that experience regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles and the effect, if any, on the businesses' ability to meet its debt obligations identified in the existing and projected debt schedules.

c. Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturities of long term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

d. Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

e. Personal Balance Sheets

Provide current personal balance sheets for each individual with 20 percent or more ownership in the proposed project. The Department may require the submittal of personal or corporate income tax returns, if necessary.

f. Personal Credit Check Release

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information which may be helpful in documenting the economic viability of the project.

6. Private Sector Commitments

Applications should be submitted only for those projects that are ready to proceed pending receipt of CDBG funds.

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent

only upon receipt of CDBG funds. All terms and conditions that apply to each funding source must be submitted as part of the application. Applications that include a loan guarantee from the Small Business Administration must include the letter of authorization from the SBA which contains the terms and conditions that apply to the loan. Terms and conditions for proposed debentures must be included. Letters of commitment from firms to be assisted must be submitted with the application and must:

-- be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization;
-- provide a clear statement of the firm's concept of the project, (i.e., the location, scope and cost);
-- specify the nature of the commitment, (e.g., amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, commitment to hire low and moderate income individuals, etc.); and
-- state a willingness of the firm to sign a legally binding commitment upon grant award and that the firm has reviewed the grant application and has approved its content.

Letters of commitment from private financing institutions must specify the amount and type (for example, interim construction financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of CDBG funds.

7. Public Sector Commitments

If resources from the public sector or nonprofit entities are to be involved in the proposed economic development project, applicants must provide written evidence of firm commitment of public funds and/or other resources. Such commitments should be binding, contingent only upon receipt of CDBG funds to the project. Evidence should include resolutions passed by the local governing body and/or a letter of commitment from other sources. Projects that include matching funds from the Economic Development Administration for public facilities in support of economic development may be reviewed and approved contingent on EDA approval if necessary to meet EDA requirements.

IV. NECESSARY AND APPROPRIATE DETERMINATION FOR ASSISTANCE TO FOR-PROFIT BUSINESSES

The Federal Housing and Community Development Act requires the Department of Commerce to consider whether CDBG assistance to any for-profit business is appropriate to the project, including the extent of the need for assistance and the

amount of assistance to be provided in relation to the public benefit that would result. Applicants must clearly demonstrate the need for CDBG assistance by documenting that a partial financing "gap" exists in funding the proposed project. Applicants must show that all reasonable resources have been considered and are available, appropriate, or sufficient to complete the project financing.

<u>It is important to note that a business does not have to have its loan application repeatedly rejected from a lending institution. The Department encourages projects which can obtain bank financing but may not be able to complete the entire project financial structure or cannot afford the current interest rate for the entire loan without CDBG assistance. Projects which involve bank loans, and bank loans including Small Business Administration guarantees, have a high likelihood of being funded through the CDBG program.</u>

A "gap" may be documented in several different ways, as described below.

The U.S. Department of Housing and Urban Development (HUD) requires that the applicant follow the steps outlined below in order to document that the proposed level of financial assistance is "necessary and appropriate."

Step 1 -- Evaluate All Project Costs

The applicant must verify all project costs and document how they were determined and by whom (land appraisal, engineer or architect prepared estimates, equipment lists and cost schedules, etc.). The applicant must determine the reasonableness and completeness of the cost estimates (such as the inclusion of Davis-Bacon prevailing wage rates, if applicable).

Step 2 -- Verify and Maximize Private and Other Public Funding Sources

It is the responsibility of the applicant to verify that all other reasonably available sources of private financing have been maximized for the project proposed. Other private sources such as banks, venture capital companies, or additional private equity should be sought before the project budget is finalized and CDBG funds applied for.

Before submitting a proposal to the applicant community, the business should first request a loan (or loans) from lending institutions for the remaining amount needed for the project after as much new private equity as possible has been committed to the project. If the lender(s) or investor(s) is/are unable or unwilling to make a loan or investment for the amount needed to complete the project, the business and applicant community should approach them with a financing package that includes CDBG funds and request a loan contingent on CDBG funds being received.

Step 3 -- Make a Determination of Need for CDBG Assistance

The applicant must demonstrate that the business it is proposing to assist with CDBG funds has a need for the funds. There are several methods of determining the need for CDBG assistance or financing "gap."

A. Financing Gap

1. Are the annual earnings of the proposed project sufficient without CDBG assistance to meet the annual debt service requirement of a loan at market rate?

2. Is there insufficient equity to meet collateral and other lending requirements of private lending institutions? Can the firm to be assisted contribute sufficient equity to the project to meet the collateral requirements of the first or the second position lenders?

The application should include letters from the private lending institutions contacted by the business for loans. The letters should document one or more of the following situations:

-- the lender will not make any loan to the business;
-- the lender can only lend a portion of the total project costs; or
-- the lender will only participate if CDBG funds are involved in the project and states that its participation is contingent on CDBG funds.

The amount of the financial gap should be quantified based on the pro formas. For example:

-- if a lender can only provide a loan (contingent on CDBG) for a portion of the project costs, and all available private equity is invested into the project, the amount of the financing gap equals the amount remaining in the project that cannot be financed privately; or

-- if a lender agrees to finance the project costs above the amount of private equity invested, but the annual debt service is higher than the projected cash flow from the project, the amount of the financing gap is equal to the amount of CDBG funds needed to lower the debt service so that a reasonable cash flow coverage is achieved and the project's financial feasibility is maintained.

Step 4 -- Size the CDBG Assistance

The applicant local government should determine the minimum amount of CDBG financial assistance necessary to stimulate private investment based on the quantified financial gap and ensure that the business is not unduly enriched compared to the public benefits expected to occur as a result of the project.

V. THRESHOLD REQUIREMENTS FOR CDBG ECONOMIC DEVELOPMENT PROJECTS

The following threshold requirements are applicable to full applications for CDBG economic development assistance.

A. CDBG COST PER JOB FOR LOW AND MODERATE INCOME PERSONS

The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed $20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.

B. PERCENT OF JOBS TO BENEFIT LOW AND MODERATE INCOME PERSONS

In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.

Projects which are determined by the Department to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons does not have to meet the cost per job or hiring and training requirements. It is strongly recommended that area-wide benefit projects meet these requirements. Applicants must contact the Department for a determination of whether a project qualifies as an area-wide benefit activity.

C. DEBT/EQUITY RATIO

Where CDBG funds will be expended to assist a for-profit business, the final debt/equity ratio, calculated from the projected balance sheet after all CDBG financing and all matching and other financing for the project have been received, may be no greater than 5:1. The Debt/Equity Ratio shall be calculated, <u>under Generally Accepted Accounting Principles</u>, according to the following formula:

Debt/Equity Ratio = (Total Liabilities - Officer Subordinated Debt) divided by (Total Net Worth - Intangibles* + Officer Subordinated Debt)

* "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

D. MATCHING FUNDS

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants should ensure that documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

Cash expenditures for fixed assets integral to the project, made within 180 days before the date the application is determined to be complete, may be counted for up to 50% of the required match. For businesses which are proposing to locate into Montana, documented fixed assets that are moved into the state that are integral to the project can be counted up to 50% of the required match. In all cases, at least 50% of the required matching funds must be met by new cash in the form of new cash equity or new loans to be made on or after the date of the application acceptance date.

It is absolutely essential that the applicant and the business do not incur costs or obligate funds, which are intended to be reimbursed with CDBG funds, prior to the date that all contract start-up conditions (including the final execution of the loan agreement) are satisfied by the grantee and approved in writing by the Department of Commerce.

The following will not be considered as match:

1. existing assets (with the exception of cash expenditures for necessary fixed assets made within 180 days before the application date;
2. in-kind services;
3. other costs incurred prior to the application date; and
4. the refinancing of existing debt;
5. projected operating cash flow; and
6. existing equity.

E. HIRING AND TRAINING PLAN

The primary goal of CDBG-funded economic development grants is to increase job opportunities for local residents, particularly persons of low and moderate income.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

Hiring goals should be reasonable and justified by the financial statements and projections. Claims for the number of jobs to be created or retained should be realistic and not inflated or overly optimistic.

The assistance agreement between the community and the assisted business will contain conditions regarding the hiring of low and moderate income persons. The assisted business must show substantial compliance with the hiring and training plan and a "good faith" effort towards accomplishing the hiring goals set out in the assistance agreement before the project can be closed out.

All jobs must be converted into full-time equivalent positions. A full-time equivalent employee is an individual who is employed for 40 hours a week on the average or a combination of individuals whose combined hours of employment equal 40 hours per week.

If part-time or seasonal employment is proposed, the application must include an estimate of the number of hours to be worked each year for each proposed position. Only permanent jobs may be counted. Temporary construction jobs and other temporary and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the primary occupation and the principal source of income to the low to moderate income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.

The base level of employment with a list of all current employees and job titles must be provided with the application in order to determine the actual number of new hires. For existing firms, applicants must provide employment levels for the past year. The date for determining the base level of employees will be the application submission date.

Only jobs that are created directly by the assisted business within a 24 month period following grant award will usually be counted towards this requirement. The

Department cannot consider indirect employment created through contractual relationships.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to be filled by low and moderate income persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the low and moderate income population within a reasonable geographic area.

The family income is considered as of the time the jobs are filled or retained, not after the low and moderate income person is hired. Jobs must be equally available to low and moderate income persons. For new hires, income is determined for the year prior to the date the person is hired.

A "low and moderate income person" is defined as a member of a low and moderate income family. The total income and size of the family, not the individual's income, determines whether an individual is considered to be low and moderate income. "Family" is considered to be husband, wife and dependents, such as the IRS determination for income tax purposes.

For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days prior to submittal of the application. The application must provide clear and objective evidence that, in the absence of the CDBG assistance, the jobs will be lost. The business will have to commit to filling as many new job openings from turnover and job creation as is reasonably possible with low and moderate income persons. The full application must include a complete listing of all existing jobs by title, race, ethnicity, gender and handicapped status. The application must indicate which positions are currently held by low and moderate income persons. The business should provide an estimate of its expected job turnover rate during the next two years, especially if job turnover will be counted toward the low and moderate income benefit percentage.

Businesses claiming retention of jobs must submit with the full application documentation of the verification of existing employees eligibility to be considered low and moderate income by using the income verification form and job tracking form that will be provided upon request by the Department.

Assistance in the development of a hiring and training plan may be obtained from the local Job Service or the Human Resource Development Council. Other programs such as the Job Training Partnership Act (JTPA) programs should be coordinated with the

hiring process wherever possible. HUD will accept persons eligible under JTPA guidelines as low and moderate income persons, except for those eligible under the Dislocated Workers Program.

Grantees must ensure that complete hiring records are maintained by the assisting agency, the assisted business and by the grantee.

Federal regulations and reporting requirements require that racial, ethnic and gender characteristics information be maintained for all job applicants as well as new hires.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

At a minimum the Hiring and Training Plan must include the following:

1. A breakdown of jobs to be created or retained indicating the percentage which are full-time, part-time, skilled, semiskilled, or unskilled;

2. A discussion of the actions to be taken to ensure that the positions created will be filled by persons of low and moderate income;

3. A breakdown of jobs to be created indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate of the number of hours to be worked each week or months to be worked each year for each position must be included;

4. A timetable for creating the jobs, the total number of persons, and number of low and moderate income persons to be hired.

5. An assurance that equal opportunity and nondiscrimination laws will be complied with;

6. Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income;

7. A description of the training curriculum and resources, if applicable;

8. Written commitments from any agencies or organizations participating in the implementation of the plan; and

9. Written commitment from the assisted business to comply with the plan.

VI. GENERAL POLICIES ON LOANS TO FOR-PROFIT BUSINESSES

All loans made to for-profit businesses with CDBG funds are subject to the following guidelines:

A. LOAN TERMS

The terms of the loan should be consistent with the projected use of funds, and individual project needs. For example, terms for financing machinery and equipment should generally be between 5 to 10 years. For buildings and real estate, terms should generally range between 15 to 20 years. Working capital loans should be limited to 7 years. If a deferral of repayments is requested by the applicant and is accepted by the Department, the term of the loan will include the deferred period. For example, a loan with a ten year term with a one year deferral period has a total term of ten years, not eleven.

B. DEFERRAL OF REPAYMENTS

Repayments of principal, interest, or both may be partially deferred up to two years. The need for a deferral must be supported by the projected cash flow of the business and the defined financial gap. The Department will require that at least nominal payments be made in each year from the time the loan agreement is executed.

C. LOAN SECURITY

All loans must be secured with fixed assets (i.e., land, buildings, and capital equipment), personal guarantees, or any other reasonable source of available collateral. CDBG funds may be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security positions held by lenders and any liens which may apply to the collateral (tax liens, mechanics liens, or other liens). The Department will negotiate with the business for the most secure position which is reasonably available, regardless of the proposed use of the CDBG funds (for example, fixed assets may be used to secure working capital loans).

D. INTEREST RATES

Interest rates for CDBG funded loans to for-profit businesses will generally be <u>6 percent</u>. Lower interest rates may be considered by the Department of Commerce if it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project. In addition, the Department will provide <u>a discount of one-</u>

eighth percent for each permanent full time equivalent job created for low and moderate income persons over a two year period from the date of the grant award. The loan agreement and interest rate can include, at the option of the local government, language to incorporate a job creation discount after the two year period. In no case will the minimum allowable interest rate, including the job creation interest discount, be less than 4 percent.

VII. FUNDING CRITERIA

The review of the application will be expedited and the application's likelihood of being funded will increase if the applicant community and business have adequately demonstrated that:

1. All thresholds are met or exceeded;

2. A financing gap exists, the applicant has quantified the gap as much as is reasonably possible, and has determined that the project needs CDBG assistance in order to proceed;

3. The level of CDBG assistance is appropriate in relation to the public benefit expected to result from the project;

4. Proposed management is experienced in the type of business activities proposed and has the capacity to successfully manage the entity to be assisted is demonstrated;

5. The application is complete as submitted, and contains accurate information;

6. The earnings projections submitted with the application are realistic and attainable, are supported by historical trends and industry norms, and indicate that projected cash flow is sufficient to support increased debt;

7. The CDBG funds would be adequately secured with all reasonably available assets and/or personal guarantees;

8. The application documents a sound, well-reasoned proposal with a perceived strong chance for success if CDBG funds are received;

9. The private or public sector lenders involved in the project have provided firm commitment of funds;

10. The project is ready to proceed if notification that a tentative CDBG award is given and implementation will begin immediately, and

11. The application conclusively demonstrates that the project will support itself over time, and will not impose a burden on any local government or nonprofit entity participating in the project.

Applications where viability may be questionable, or where the overall business plan or need for CDBG assistance is inadequately documented, may be either restructured, renegotiated or not funded depending on the severity and nature of the problems identified.

VIII. LOCAL GOVERNMENT APPLICATION REQUIREMENTS

A. CITIZEN PARTICIPATION AND THE COMMUNITY DEVELOPMENT NEEDS ASSESSMENT

1. Citizen Participation

The Community Development Act requires the Department of Commerce to adopt "a detailed Citizen Participation Plan." In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings prior to passage of a resolution by the governing body authorizing the submission of the full application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as a hearing convened especially for CDBG purposes.

A record of the required hearings must be submitted with the full application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income persons, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of

households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of the submittal of the application.

For economic development projects, the local government should solicit publicly for prospective businesses which may be interested in applying for a CDBG loan from the State through the local government. The local government should then select the most reasonable and viable proposal(s) for consideration for a application to the Department.

Another purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application(s), before it is submitted. The issues which should be considered include the proposed project location, activities, and the budget (including the estimated amount proposed to be used for activities that will benefit low and moderate income families).

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses.

Formal public notice must be provided before public hearings are held. Notice should also be directed to persons of low and moderate income, those persons who will benefit from or be affected by CDBG activities and/or representatives of low and moderate income persons. Hearings must be held at times and locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements must be made to have an interpreter present.

Notice of the public hearings should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearing should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public such as radio announcements, mailed notices, and posters.)

2. Community Development Needs Assessment

The Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs."

Each applicant must include a brief description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income;
2. The applicant's short-term and long-term community development needs in economic development, housing and neighborhood revitalization, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs;
3. The planned activities to be undertaken to meet the identified needs; and
4. The alternative projects considered for CDBG funding and the rationale for selecting the proposed project(s);

The needs assessment process does not have to be conducted annually for applicants re-applying for CDBG funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for reapplication, the applicant should solicit public comments on the previously identified community needs and priorities at one or more of the two public hearings required.

For further information on alternative methods of preparing a needs assessment, applicants can request a copy of the Department's publication, The Community Development Needs Assessment Process.

B. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, effective and timely start-up and completion of project activities;

2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;

If a previous or current grantee under the State CDBG Program, performance of project management responsibilities must be acceptable. Local governments that are currently administering CDBG projects will not be eligible for reapplication if:

-- the local government is not in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce; or

-- there are outstanding audit or monitoring findings on a previously funded project, where the grant recipient has not satisfactorily resolved the identified problem.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, the Department of Commerce may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.

C. CERTIFICATIONS FOR APPLICATION

Each local government applying for CDBG funds and the business to be assisted with CDBG funds must agree to comply with the federal and State requirements set out in Appendix D.2 (the CDBG Certifications for Application) in implementing their proposed CDBG project, if selected for funding. Very few of the regulations that apply to local governments will actually apply to the business. Some requirements will apply to the business, which should be made aware from the beginning of negotiations which requirements will apply. A copy of the Certifications for Application, signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the full application for CDBG funds. Applying local governments and businesses should carefully review these requirements and consider their potential impact when designing their CDBG project.

The federal requirements address issues such as financial management, labor practices, environmental impacts, civil rights, fair housing, and acquisition real property and relocation of homeowners. Other State laws and regulations will also apply to the agreement between the local government, the Department and any business or agency which will receive CDBG assistance through a loan or grant.

Chapter 11, "Economic Development", of the Montana CDBG Grant Administration Manual provides additional guidance on the applicability of federal regulations to applicants and to the business proposed to be assisted. Copies are available upon request to the Department of Commerce. These laws can have an affect on the costs and complexity of the project and the schedule for completion.

D. RESOLUTION TO AUTHORIZE APPLICATION

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix D.2); and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

The Department of Commerce will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

E. MAPS

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area.

The following subsections discuss federal laws that may affect the business and the total cost and complexity of the project.

F. ENVIRONMENTAL IMPACT

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any

development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being considered and planned in order to avoid problems which could delay or even prevent a project from being implemented. Contact the Business Development Division for guidance regarding the level of environmental review necessary, the procedures required, and the potential time constraints associated with the process.

G. FEDERAL LABOR STANDARDS

Federal labor requirements should be given careful consideration when planning CDBG-funded economic development projects. The Federal Contract Work Hours and Safety Standards Act, Copeland "Anti-Kickback" Act, and the Davis-Bacon Act will probably apply to most economic development projects which involve the use of CDBG funds for contracted labor for construction, remodeling, site development, extensive equipment installation or other similar activity for contracts over $2,000. The Davis-Bacon Act requires the payment of prevailing wage rates (usually comparable to union scale) on construction paid for in whole or in part with CDBG funds.

Determining the applicability of Davis-Bacon wage rates to an economic development project can be complex. Contact the Department of Commerce Business Development Division during the planning stages for a proposed project for guidance and copies of the applicable wage rates and requirements.
The additional costs associated with Davis-Bacon wage rates, if applicable to a project, must be considered when calculating project costs and when obtaining estimates from potential contractors.

H. PROGRAM INCOME

"Program income" is any income earned from CDBG supported activities such as repayments of principal and interest from loans for economic development projects.

Under the Federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except where the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retaining of program income will be determined based on the adequacy of the proposed plan for the use and administration of program income submitted with the application.

The Department will allow local governments to retain program income at the local level if the local government demonstrates that it has, or can quickly develop, the

capacity to set up and manage a revolving loan fund for economic development purposes or a program income plan for other CDBG eligible community development activities with the approval of the Department.

According to federal regulations, program income never loses its federal identity. When loans are repaid, all HUD Title I requirements, such as environmental review and Davis/Bacon wage rates, must be observed in any subsequent re-use of these funds. The only exception is when total program income received per year, per grantee is less than $10,000.

The local government must be willing to commit the necessary resources, including financial support, to the proper management of the program income received from CDBG financed loans and other CDBG program income. A program income plan must be approved by the Department prior to the receipt of any program income from the project. If the program income plan and proposed level of support and resources committed to by the applicant community are determined to be inadequate, the Department will recover program income and commit it to the CDBG economic development category.

If a community which has previously received a CDBG economic development award that has not been closed out and is a recipient of CDBG funds at a later date, unobligated program income from the earlier economic development CDBG project may be required to be expended on activities under the new CDBG project before the community can request funds for its new grant. A detailed source of information regarding program income and property management and disposition requirements is provided by the Department in the CDBG Administration Manual.

The Department of Commerce received an $840,000 grant in 1990 from the Economic Development Administration for creation of a revolving loan fund. The EDA grant agreement targets the $840,000, and $300,000 of CDBG funds committed as match for the fund through the regular CDBG program, in the first round of funding for the Sudden and Severe Economic Deterioration area of Beaverhead County or other eligible areas if they are approved by modifications of the grant agreement with EDA. All payments from loans made through the EDA/CDBG RLF are required to be made to the State of Montana and cannot be retained by the local government without approval of contract modifications by EDA.

The total loan repayments will be used to capitalize a state EDA/CDBG revolving loan fund. When properly capitalized, the EDA/CDBG revolving loan fund will be available in the second round to Long Term Economic Deterioration Areas statewide that are designated by EDA. The Department will adopt guidelines publicly when the second round of EDA/CDBG funding commences in CDBG Program Year 1995.

NOTE: The Department has no intention to change existing program income policy for the regular program. Local governments that can demonstrate the capacity to manage program income will continue to be allowed to receive program income for local projects. The above section only applies to the EDA/CDBG revolving loan fund.

I. PROPERTY MANAGEMENT AND DISPOSITION

Federal property management requirements apply to real property within the grantee's control which was acquired or improved in whole or in part using CDBG funds in excess of $25,000. These requirements apply from the date CDBG funds are first spent for the property until five years after closeout of the grant from which the assistance to the property was provided.

J. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "just compensation".

Federal requirements also apply to assisted nonprofit agencies or private for-profit businesses which propose to use CDBG dollars for land acquisition. Local governments or businesses considering acquisition of real property as part of a CDBG project should contact the Department for guidance.

K. STATE COMMUNITY DEVELOPMENT OBJECTIVES

Under federal law, the Department of Commerce must annually prepare a Performance and Evaluation Report to HUD which must relate each grant recipient's use of CDBG funds to the State's community development objectives. In order for the Department to fulfill this requirement each CDBG applicant must identify the State objective(s) which its proposed project responds to. Appendix D.3 describes the State's objectives for the Montana CDBG Program.

L. PROJECT BUDGET

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within the contract period. Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion. A budget form is attached in Appendix D.1, Sources and Uses Form.

The total budget of any proposed CDBG project should be divided between "activity costs" (such as loan to a for-profit business for equipment, working capital, etc.) and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local government audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. For other sources of funds that are needed to complete the project, the status of these funds and how they will be used with CDBG funds should also be described and documented (land and equipment appraisals, architects cost estimates, etc.)

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 18 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

Costs incurred by the grantee or the business prior to award of the grant and release of funds by the Department (such as: fees for preparing the application; a community survey or needs assessment; preparation of the environmental review record if conducted prior to award; or expenses incurred by the business to be assisted) are not eligible for reimbursement with CDBG funds in the event of a grant award.

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

The Department recommends that applicants budget up to $2,000 for project audits. Grantees, depending on the usual audit frequency of the local government, may be audited more than once during the term of the project.

M. REALLOCATION OF UNCOMMITTED FUNDS

The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD requires the State to have at least 75% of its total annual grant allocation awarded and under contract within twelve months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the

State CDBG award. Therefore, if after ten months from the date of the award of the State's annual CDBG allocation, the Department of Commerce does not have at least 75% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked, unfunded applications from the spring and fall housing and the public facilities grant competitions in order to achieve these goals.

APPENDIX D.1

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ECONOMIC DEVELOPMENT APPLICATION FORM

I. APPLICANT INFORMATION

A. Applicant Community

Name:____________________________________

Address:____________________________________

____________________ FAX Number:____________

Chief Elected Official:____________________________

Contact Person:__________________ Telephone Number:____________

Address:____________________________________

____

B. Applicant Business

Name of Company:________________________ SIC Code #______

Address:____________________________________

____________________ FAX Number:____________

Contact Person:__________________ Telephone Number:____________

Address:____________________________________

____

II. BUSINESS PLAN INFORMATION

A. Number of Years in Business:___________________

B. Form of Business Organization: Sole Proprietorship_____; Partnership_____; Corporation_____; Other___________________________

C. Business Description and Project Plan (Provide a business plan and project description with special emphasis on marketing studies and strategy).

D. Attach a complete set of financial statements described in the Montana CDBG Application Guidelines in Financial Exhibits section.

E. Complete the attached budget form and include all sources and uses of funds proposed for the project. Include a narrative rationale of budget costs.

F. Projected Financing and Collateral Positions (use separate pages if necessary).

1. Proposed Financing (include new equity):

Source	Principal	Rate	Term	Annual Payment

2. Proposed Collateral Positions:

Source	Type of Collateral	Value	Security Position

G. Attach letters of commitment from proposed sources of new funds, including the business owners.

III. PROJECT TIMETABLE

A. Start-up Date:____

B. Completion Date:____

C. Hiring Started:____

D. Hiring Completed: (generally should be two years) ______________________

IV. THRESHOLDS

A. Cost Per LMI FTE Job:____________________(Must be less than $20,000)

B. Percentage of Benefit to LMI:__________________(Must be at least 51%)

C. Debt to Equity Ratio Projected:_________________(Cannot exceed 5:1)

D. Ratio of Matching Funds Committed:______________(Must be at least 1:1)

E. Total amount of New Equity Funds Committed:_________________

V. ATTACH HIRING AND TRAINING PLAN

A. Number of Existing Full Time Equivalent (FTE) Jobs:__________________

B. Number of FTE jobs to be Created:______________________________

C. Number of FTE Jobs to be Retained:____________________________

D. Number of FTE Jobs to be Created for Low and Moderate Income Persons (LMI):

____

E. Number of FTE Jobs to be Retained for LMI Persons:__________________

F. Total Percentage of FTE Jobs for LMI Persons:______________________

G. Agency To Be Responsible for Tracking Job Creation and LMI Verification:

____

H. Attach Letter of Commitment to Hiring Goal by Principal of Firm.

VI. OTHER ATTACHMENTS

A. Certifications for Application.______

B. Public Hearings Documentation.______

C. Needs Assessment Summary.______

D. Resolution of Authorization.______

E. List Applicable State Objectives.______

VII. CERTIFICATIONS

As the responsible authorized agents of (Name of Applicant Community), and (Name of Applicant Business), We hereby submit this Community Development Block Grant Economic Development Application. The information presented in this pre-application is, to the best of our knowledge, true and accurately represents the proposed project. We understand that additional information and documentation will be required. (Name of Community) will accept responsibility for management of the project and compliance with CDBG regulations. (Name of Business) will accept responsibility for compliance with applicable CDBG regulations and to the hiring of low and moderate income persons as specified in this application.

______________________________ ______________________________

Signature (Applicant Community) Typed Name and Title

____

Date

______________________________ ______________________________

Signature (Applicant Business) Typed Name and Title

____

Date

BUDGET FORM FOR CDBG ECONOMIC DEVELOPMENT PROJECTS (SOURCES AND USES)

ADMINISTRATION	**CDBG**	**OTHER**	**OTHER**	**TOTAL**
PERSONAL SERVICES: Salaries/Wages/Fringe Benefits	$	$	$	$
OFFICE COSTS: Supplies				
Postage & Printing				
Telephone				
PROFESSIONAL SERVICES: Consulting				
Legal				
Audit				
OTHER: Travel/Training				
TOTAL ADMINISTRATION	$	$	$	$
ACTIVITY	$	$	$	$
Acquisition				
Construction				
Renovation				
Machinery/Equipment				
Working Capital				
Other				
TOTAL Activity	$	$	$	$
Total Project	$	$	$	$

APPENDIX D.2

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if it selected for funding.

Listed in the following Certifications for Application are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

The Applicant hereby certifies that:

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS

It will comply with all applicable parts of Title I of Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant (CDBG) Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

It will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

It will comply with:

- The Uniform Relocation Assistance and Real Property acquisition Policies Act of 1970 (The Uniform Act) as amended, and implementing regulations 49 CFR part 24 and the requirements of section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable

period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals and that the range of choices available to such persons will not vary on account of their race, color religion, national origin, sex, source of income, age, handicap, or familial status (families with children); and

- The grantee must also inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B.

- The Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

It will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,

b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause a, above.

BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

It will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

It will comply with:

- Section 109 of the Housing and Community Development Act of 1974 as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds provided under the Act;

- The Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;

- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied

program benefits or subjected to discrimination under any program ar activity receiving federal assistance funds;

- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170/u) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and

- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting for the provisions of this nondiscrimination clause. For contracts over $10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1986 (also known as The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the regulations issued pursuant thereto. The law states that it is the policy of the United States prohibiting any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage

services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. CDBG grantees must also administer programs and activities relating to housing and community develooment in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and

- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

Prohibition of Discrimination on Basis of Religion

It will comply with section 109(a) of the Housing and Community Development Act which prohibits discrimination on the basis of religion or religious affiliation. No person will be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation.

Prohibition of Excessive Force

It will, if awarded CDBG funds, adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 104(1) of the Housing and Community Development Act, as amended.

CONFLICT OF INTEREST

It will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

It will comply with the Clean Air Act (42 U.S.C. 7401 et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

It will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and

- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

Its chief executive officer or other officer of the applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and

2 is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA list of Violating Facilities

It will ensure that the c = facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

It will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;

- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee

must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and

- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlines in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:

    1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and

    2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory Council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and

- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, public Law 92-212 (33 U.S.C. Section 1251, et seq.) which provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

Wildlife

It will comply with:

- the Endangered Species Act of 1973, s amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S Department of the Interior, after consultation with the state, to be critical; and

- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

It will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers of sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, licensor other mechanism cannot be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

FINANCIAL MANAGEMENT

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and local Governments," as specified by the Department of Commerce;

- HUD "Administrative Requirements for Grant and Operative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments," (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program

income, property management, procurement, closeout, audit, and other requirements; and

- The Single Audit Act of 1984 which establishes criteria for determining the scope and content of audits and with OMB Circular A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, the Montana Legislative Auditor, HUD, and the Comptroller General, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

It will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40U.S.C. 276-1-276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property i designed for residential use for eight or more families;

- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as the Copeland Anti-Kickback Act. The Act mandates that al laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the federally-funded recipient by the contractor;

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and

- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

LOBBYING

It certifies that:

- No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

- If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

- The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts,

subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

____
Signature, Chief Elected Official
(or Executive Officer)

____
Name (typed or printed)

____
Title

____
Date

APPENDIX D.3

STATE OBJECTIVES FOR THE 1994 MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General

1. Provide funding to communities whose needs are greater than those of other communities and whose projects most effectively address local needs and the goal and objectives of the Montana CDBG Program.

2. Encourage meaningful citizen participation, including efforts to involve low and moderate income persons, in the selection, design and implementation of local community development projects.

3. Ensure that CDBG projects result in sound investment in Montana's communities and are administered efficiently, effectively and consistently with appropriate State and federal policies.

4. Encourage the recognition of potential environmental constrains on community development activities in order to avoid or mitigate potentially adverse impacts upon the human and natural environment.

5. Encourage coordinated long-term strategies for community development activities which are consistent with local planning efforts nd capital improvements programming.

6. In order to increase the potential impact of limited CDBG funds, encourage the commitment and coordination of other available public or private resources for community development projects.

Economic Development

7. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent, year-round jobs principally for low and moderate income Montanans.

8. Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities; or the distribution of Montana-made goods.

9. Encourage projects that involve the processing, refining, and marketing of Montana's natural resources.

Housing

10. Provide decent, safe, sanitary and energy efficient housing for persons of low and moderate income by conserving and improving the condition of appropriate existing housing stock.

11. Support the revitalization of deteriorated or declining residential neighborhoods through comprehensive neighborhood improvement efforts which address blight, as well as housing and public facility needs, while avoiding displacement of current residents.

12. Encourage the provision of affordable and appropriate housing assistance to low and moderate income households, and in particular, those with special needs such as those with lower incomes, female heads of family, or minority, elderly pr disabled members.

13. Increase fair housing opportunity for low and moderate income persons by encouraging efforts by local governments to prevent discriminatory or restrictive housing practices.

14. Encourage private sector investment in housing for low and moderate income households and increase the impact of local housing programs through cooperative arrangements with private lenders and the use of financial leveraging techniques.

Public Facilities

15. Assist communities in providing appropriate and long-term solutions to serious deficiencies in public facilities which are detrimental to the public health and safety and detract from further community development, or which ar necessary to meet other essential community needs.

16. Encourage community participation in the financing of public facility projects in proportion to local financial resources and capacity to share in project costs.

MONTANA

EMERGENCY SHELTER GRANT PROGRAM

DRAFT 1995 APPLICATION

MONTANA DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Family Assistance Division
Intergovernmental Human Services Bureau
James Nolan, Chief

3075 North Montana Avenue
Helena, Montana 59620

Phone: (406) 444-4546
November 1994

EMERGENCY SHELTER GRANT PROGRAM

The Montana Department of Social and Rehabilitation Services operates the Emergency Shelter Grant Program. This program is designed to improve the quality of existing emergency shelters for the homeless, to make available additional shelters, to meet in the costs of operating shelters and of providing essential social services to homeless individuals to help prevent homelessness. The grants are 100 percent funded by the Health and Human Services and Housing and Urban Development Departments. According to federal law, 90 percent of funds received must be allocated to the 10 regional Human Resource Development Councils (HRDCs). The grants fun the renovation, rehabilitation, or operating costs of homeless shelters, and the provision of follow and long-term services to help homeless persons escape poverty. Shelters to be assisted and services to be delivered are determined by the HRDCs.

The State of Montana uses a formula allocation for these funds. The allocation is modeled after the Montana statute governing the Community Services Block Grant. That particular citation is as follows:

> Montana Code Annotated, Aug. 1993
>
> 53-10-502. Allocation of federal Community Services Block Grant funds. The department shall allocate the state's share of the block grant funds as follows:
>
> (1) The department may retain 5% for administrative costs and 5% for special projects.
> (2) The balance of the block grant funds after any retention pursuant to subsection (1) must be distributed to human resource development councils that are eligible to receive such funding under 53-10-503 as follows:
>
> > (a) $500,000, or if the balance of the block grant funds is less than $500,000, then the entire balance of the block grant funds, must be equally divided among the eligible human resource development councils; and
> > (b) except as provided under 53-10-504(2), the balance of the block grant funds after distribution under subsections (1) and (2)(a) must be divided among eligible human resource development councils as follows:
> >
> > > (i) one-half based upon the population residing within the areas of human resource development councils; and
> > > (ii) one-half based upon the low-income population, as that population may be determined under the provisions of the block grant, residing within the areas of the human resource development councils.
>
> History: En. Sec. 2, Ch. 237, L. 1983.

The amount of funds allocated to each Human Resource Development Council is therefore determined on the basis of poverty and population levels within each HRDC area, relative to the poverty and population levels of the entire state, less SRS administrative expenses. Allocations of FY95 HUD ESG funds, totaling $287,000, are 264,100 after SRS expenses. These latter funds are distributed and prescribed by the following table:

1990 POVERTY CENSUS DATA

AGENCY	1990 POPULATION PERCENT	1990 POVERTY PERCENT	AVERAGE PERCENT	FY 1995 ALLOCATION
Association for Eastern Montana	11.08%	12.37%	11.73%	$30,966
District 4 HRDC	3.33%	4.24%	3.79%	$9,996
Opportunities, INC	14.13%	14.62%	14.38%	$37,964
District 6 HRDC	2.77%	3.03%	2.90%	$7,659
District 7 HRDC	18.00%	15.80%	16.90%	$44,633
Rocky Mountain Development Council	7.35%	5.25%	6.30%	$16,638
District 9 HRDC	8.18%	8.53%	8.36%	$22,066
Northwest Montana Human Resources	13.48%	13.59%	13.54%	$35,746
District 11 HRDC	13.35%	13.98%	13.67%	$36,089
District 12 HRDC	8.33%	8.59%	8.46%	$22,343
TOTAL	100.00%	100.00%	100.00%	$264,100

Each program year, the HRDCs submit general workplans, budgets and reports outlining which of the allowable activities are anticipated to be undertaken, how matching funds will be realized and a certification of local approval verifying that budgets and workplans have been reviewed and approved by a representative of the respective jurisdiction.

The Department of Social and Rehabilitation Services typically executes contracts with all HRDCs within thirty (30) days of HUD approval of this application packet.

Actual project proposals for ESG funds have included the renovation of a building (asbestos removal and lead abatement) in order to use it as a transitional facility. Funds are also used to provide medical services to homeless individuals and families, to pay for hotel/motel rooms for homeless individuals, to pay rent or mortgages for homeless families, and to provide support groups, individual counseling, referral, advocacy and transport to homeless persons. Shelters have used funds to pay rent or mortgages, pay utilities, buy furnishings, and pay for maintenance and operational costs of their facilities. ESGP funds are also used to pay security deposits on rent or utilities (or first month's rent) to enable homeless families to move into their own dwellings. Table E.1, below, provides a sample form, describing the range of eligible activities. Table E.2, on the next page, offers a succinct review to the funding methods. Often, the local HRDC is able to provide match funding to stretch the funding further.

TABLE E.1

EMERGENCY SHELTER GRANTS PROGRAM (HUD) PROGRAM PROGRESS REPORT		
COUNTY	ADDRESS	CONTACT PERSON & PHONE NUMBER
	PLEASE BRIEFLY DESCRIBE HOW ACTIVITY WILL BE ACCOMPLISHED	
1. Renovation, major rehabilitation or conversion of a building(s) for use as emergency shelters for the homeless. 2. Provision of essential services to the homeless. (30% funding cap) 3. Payment of maintenance, operation including administration, staffing costs at no more than 10% of contract total, rent repair, security, fuels and equipment, insurance, utilities and furnishing of local energy shelters. 3. Developing and implementing homeless prevention activities. (30% funding cap) If funds are to be used to assist families that have received eviction notices or notices of termination of utility services, the following conditions must be met: • the inability of the family to make the required payments must be the result of a sudden reduction in income; • the assistance must be necessary to avoid eviction of the family or the termination of services to the family; • there must be reasonable prospects that the family will be able to resume payments within a reasonable period of time; and • the assistance must not supplant funding for pre-existing homeless prevention activities from any other source.		

TABLE E.2

HRDC DISTRICT ____

HUD EMERGENCY SHELTER GRANTS PROGRAM
BUDGET SUMMARY FORM

	ELIGIBLE ACTIVITIES	ESGP COST	LOCAL MATCH
#1:	**Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless.	$	$
#2:	Provision of essential services to the homeless (not to exceed 30% of total budget).	$	$
#3:	Payment of maintenance, operation including administration, staffing costs at no more than 10% of contract total, rent, repair, security, fuels and equipment, insurance, utilities and furnishing of local emergency shelters.	$	$
#4:	Developing and implementing homeless prevention activities (not to exceed 30% of total budget - separate from Essential Services).	$	$

TOTAL ESGP BUDGET: $____________________

TOTAL LOCAL MATCH: $____________________

**Important Note: Before funds can be spent from Eligible Activity #1, you are required to comply with 24 CFR Part 576.52 Environmental Review [and] the Federal Preservation Law. Contact this office for more information.

To Be submitted by the State government
in accordance with 24 CFR 576.85(a)

STATE GRANTEE
EMERGENCY SHELTER GRANTS (ESG) PROGRAM
INTERIM PERFORMANCE REPORT

I ____________________________________, (name and title) authorized to act on behalf of the State of_________________________, certify that the matching supplemental funds required by the regulations at 24 CFR 576.71 and 576.85(a)(3) as modified by the amendments to §415 (a)(2) and (c)(4) of the Stewart B. McKinney Homeless Assistance Act made by §832(e) of the National Affordable Housing Act of 1990 (Pub. L. 101-625, November 28, 1990) will be provided, and the benefit of the $100,000 exemption from the matching requirement will be provided to the recipients from the State who are least capable of providing the matching funds. Attached to this certification is a description of the sources and amounts of such supplemental funds.

I further certify that $ _______________ (dollar amount) of the State's FY 19___ ESG grant of $ _______________ was obligated on ____________________ (date) as documented on the attached HUD-provided chart.

____

(Signature) (Date)

STATE GRANTEE
EMERGENCY SHELTER GRANTS (ESG) PROGRAM
INTERIM PERFORMANCE REPORT

State Recipient*	Amount for Rehab.	Amount for Homeless Prevention**	Amount for Essential Services**	Amount for Operations**	Shared Amount for Admin.	Total
Unobligated Funds						
State's funds for Admin.						
TOTAL						

* Write in the name of the unit of local government or if nonprofit organization is the direct recipient provide the name of the unit of local government where the activities are located.

** The National Affordable Housing Act established separate caps for essential services and homeless prevention that must not exceed 30 percent each. A waiver may be granted by HUD of the cap on essential services, but not on homeless prevention. Section 1402(e) of the Housing and Community Development Act of 1992 (Pub. L. 102-550, approved October 28, 1992) amended the statutory limitation on payment of staff salaries. With this change, up to ten (10) percent of a grantee's ESG grant allocation may be spent on staff costs involved with operations related to emergency shelter. Staff costs associated with maintenance or security continue to be eligible and are not counted towards the ten percent cap. Waivers of the statutory caps on amounts for homeless prevention, staff costs for operations, and administration are not permitted.

I further certify that the State will assume the Department's responsibility and authority as set forth in section 104(g)(2) of the Housing and Community Development Act of 1974, for acting on the environmental certifications and requests for the release of funds submitted to the State by general local government recipients.

I further certify that at the time of the State's submission of the interim performance report required by the regulations at 24 CFR 576.85(a), it will also submit a certification that it will ensure the provision of the matching funds required by the regulations at 24 CFR 576.71 and 576.85(a)(3), as amended by Section 832(e)(2)(C) of the National Affordable Housing Act (Pub. L. 101-625, November 28, 1990) and will attach a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

I further certify that the submission of an application for an emergency shelter grant is authorized under State law and that the State possesses legal authority to fund the carrying out of emergency shelter grant activities by units of general local government and nonprofit organizations in accordance with applicable law and regulations of the Department of Housing and Urban Development.

____

(Name and Title)

____________________ _______________

(Signature) (Date)

VII. CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the Housing and Community Development Plan regulations, the state certifies that:

Citizen Participation -- the state must:

(1) Develop a written plan that describes the citizen participation requirements of § 91.105 for units of general local government and explains how the requirements must be met;

(2) Furnish citizens and units of general local government information concerning the amount of funds available for proposed community development and housing activities and the range of activities that may be undertaken, including the estimated amount proposed to be used for activities that will benefit persons of low and moderate income and the plans of the state for minimizing displacement of persons as a result of activities assisted with such funds and to assist persons actually displaced as a result of such activities;

(3) Hold one or more public hearings to obtain the views of citizens on community development and housing needs;

(4) Publish a proposed plan in such a manner to afford affected citizens and units of general local government an opportunity to examine its content, and to submit comments on the proposed plan and on the community development performance of the state, and to consider comments received;

(5) Provide citizens and units of general local government with reasonable and timely access to records regarding the proposed and the past use of funds; and

(6) Prepared its housing and community development plan and annual use of funds in accordance with § 91.xxx and made its housing and community development plan available to the public.

Affirmatively Further Fair Housing -- The state will affirmatively further fair housing, prepare an analysis of impediments and maintain records pertaining to carrying out this certification.

Anti-Discrimination -- The grants will e conducted and administered in compliance with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3620), the Age Discrimination Act of 1975, Executive Orders 11063, 11625, 12138, 12432 and 12892, Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), the Americans with Disabilities Act (title II) and implementing regulations.

Anti-displacement and Relocation Plan -- Require each recipient to certify that it will comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as

amended, as required under section 570.488(b) and Federal Implementing regulations at 24 CFR Part 24; the requirements in section 570.488(c) governing the residential antidisplacement and relocation assistance plan under section 104(d) of Title I (including a certification that the recipient is following such a plan); and the relocation requirements of section 570.488(d) governing optional relocation assistance under section 105(a)(11) of Title I.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

2. Establishing an ongoing drug-free awareness program to inform employees about:

   (a) The dangers of drug abuse in the workplace;

   (b) The grantee's policy of maintaining a drug-free workplace;

   (c) Any available drug counseling, rehabilitation, and employee assistance programs; and

   (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;

4. notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will:

   (a) Abide by the terms of the statement; and

   (b) Notify the employer in writing of his or her conviction for a violation of a crimina drug statute occurring in the workplace no later than five calendar days after such conviction;

5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has

designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking on of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted:

   (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or

   (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

   Place of Performance (Street address, city, county, state, zip code)

   ____

   ____

   ____

   ____

   ____

   ____

   Check ____ if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

Anti-Lobbying -- To the best of the state's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing ar attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language of paragraph (n) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly; The state is in compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

Legal Authority -- It possesses legal authority under State law to make grant submissions and to execute a community development and housing programs and the jurisdiction possess the legal authority to carry out the programs for which it is seeking funding, in accordance with HUD applicable regulations.

Specific CDBG Certifications

The State certifies that:

Citizen Participation -- It will consult with local elected officials from among units of general local government in determining the state's method of distribution in its annual use of funds;

Use of Funds -- It has developed its HCD plan one-year action plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight; (the action plan may also include activities which the state certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available); except that the aggregate use of CDBG funds received under section 106 of the Housing and Community Development Act of 1974, as amended, and if applicable, under section 108 of the same Act, during program year(s) 199__, _______ (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that not less than 70 percent of such funds are used for activities that benefit such persons during such period;

Community Development Plan -- It has developed a community development plan for the period specified in the paragraph above, that identifies community development and housing needs and specifies both short and long-term community development objectives that have been developed in accordance with the primary objective and requirements of the Housing and Community Development Act of 1974, as amended;

Special Assessments -- It will not attempt to recover any capital costs of public improvements assisted in whole or in part with funds provided under section 106 of the Housing and Community Development Act of 1974, as amended, or with amounts resulting from a guarantee under section 108 of the same Act by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

1. Funds received under section 106 of the Housing and Community Development Act of 1974, as amended, are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than under Title I of that Act; or

2 For purposes of assessing any amount against properties owned and occupied by persons of moderate income, the grantee certifies to the Secretary that it lacks sufficient funds received under section 106 of the Housing and Community Development Act of 1974, as amended, to comply with the requirements of subparagraph (1) above;

F.6

Strategy -- It is following a current consolidated plan (formerly Comprehensive Housing Affordability Strategy) that has been approved by HUD and that any housing activities to be assisted with CDBG funds will be consistent with that plan.

Local needs identification -- It will require each unit of general local government to be distributed funds provided under section 106 of the Housing and Community Development Act of 1974, as amended, to identify its community development and housing needs, including the needs of low- and moderate- income persons, and the activities to be undertaken to meet such needs.

Excessive Force -- It will require each unit of general local government to be distributed funds provided under section 106 to adopt and enforce:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and

2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

________________________ ________________
Signature Date

____
Title

Specific HOME Certifications

The state certifies that:

Appropriate Financial Assistance -- before committing any funds to a project, it will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;

Tenant Based Rental Assistance -- If the state intends to provide tenant-based rental assistance:

> The use of HOME funds for tenant-based rental assistance is an essential element of the state's annual approved housing strategy for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing.

______________________________ ____________________

Signature Date

____

Title

ESG Certifications

The state certifies that it will ensure compliance by units of general local government and nonprofit organizations to which it distributes funds under the Emergency Shelter Grants program with:

(1) The requirements of 24 CFR 576.21(a)(4)(ii) which provide that the funding of homeless prevention activities for families that have received eviction notices of termination of utility services meet the following standards: (A) that the inability of the family to make the required payments must be the result of a sudden reduction in income; (B) that the assistance must be necessary to avoid eviction of the family or termination of the services to the family; (C) that there must be a reasonable prospect that the family will be able to resume payments within a reasonable period of time; and (D) that the assistance must not supplant funding for preexisting homeless prevention activities from any other source.

(2) The requirements of 24 CFR 576.51(b)(2)(iii) concerning the submission by nonprofit organizations applying for funding of a certification of approval of the proposed project(s) from the unit of local government in which the proposed project is located.

(3) The requirements of 24 CFR 576.51(b)(2)(v) concerning the funding of emergency shelter in hotels or motels or commercial facilities providing transient housing.

(4) The requirements of 24 CFR 576.73 concerning the continued use of buildings for which Emergency Shelter Grant funds are used for rehabilitation or conversion of buildings for use as an emergency shelters for the homeless; or when funds are used solely for operating costs or essential services, concerning the population to be served.

(5) The building standards requirement of 24 CFR 576.75;

(6) The requirements of 24 CFR 576.77, concerning assistance to the homeless; and

(7) The requirement of the National Affordable Housing Act (Pub. L. 101-625, November 28, 1990) contained in Section 832(e)(2)(C) that grantees "develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted" under the Emergency Shelter Grants Program and "that the address or location of any family violence shelter project assisted" under the Emergency Shelter Grants Program "will, except with written authorization of the

persons or persons responsible for the operation of such shelter, not be made public."

(8) The requirement of that recipients involve, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under the ESG program, and in providing services for occupants of these facilities (42 U.S.C. 11375(c)(7), as added by Section 1402(b) of the Housing and Community Development Act of 1992).

I further certify that at the time of the State's submission of the interim performance report required by the regulations at 24 CFR 576.85(a), it will also submit a certification that it will ensure the provision of the matching funds required by the regulations at 24 CFR 576.71 and 576.85(a)(3), as amended by Section 832(e)(2)(C) of the National Affordable Housing Act (Pub. L. 101-625, November 28, 1990) and will attach a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

I further certify that the submission of an application for an emergency shelter grant is authorized under State law and that the State possesses legal authority to fund the carrying out of emergency shelter grant activities by units of general local government and nonprofit organizations in accordance with applicable law and regulations of the Department of Housing and Urban Development.

____________________________ ____________________

Signature Date

____

Title

VII. MONITORING

MONITORING STANDARDS AND PROCEDURES
i. PROJECT ADMINISTRATION

Recipients under Montana's housing assistance programs are responsible for administering their projects in accordance with all applicable federal and state statutory and regulatory requirements. The Department of Commerce has the responsibility of ensuring that grantees carry out their projects in accordance with these requirements. Several key federal requirements pertaining to project monitoring and progress report include:

Section 104(d) of the Federal Housing and Community Development Act and 24 CFR 570.498. The Act and HUD regulations require the submittal of a performance and evaluation report to HUD before October 1, annually, by MDOC. Among other issues, the report must describe the status of all those projects funded through the Montana Community Development Block Grant Program which have not been administratively closed out, include the extent to which each project has benefitted low and moderate income persons.

Section 104(e) of the federal Housing and Community Development Act. The Act requires MDOC to monitor each of the recipients to ensure that the recipient:

- has conducted activities in a timely manner;
- has complied with the provision of the federal Housing and Community Development Act and all other application laws;
- has the continuing capacity to carry out its activities in a timely manner.

24 CFR 570.497. HUD regulations require MDOC to establish record keeping requirements sufficient to demonstrate that Montana's CDBG recipients are administering their projects in compliance with the provisions of the federal Housing and Community Development Act and all other applicable laws.

Office of Management and Budget Circular A-102, Attachment I. The Office of Management and Budget requires MDOC to constantly monitor its recipients "to assure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved."

Project monitoring is the department's primary method for determining whether a project is in compliance with state and federal requirements. It is the department's goal to assist and support grantees in complying with applicable state and federal requirements and in successfully implementing their project activities from start-up through closeout of the project. During the course of the local project, MDOC will monitor each grantee through written progress reports and periodic on-site visits, so that any problems that might occur can be resolved as quickly and as easily as possible.

The federal Housing and Community Development Act, the Cranston-Gonzales National Housing Affordability Act, and HUD guidelines require the MDOC to determine whether its recipients:

- are complying with requirements of the program and other laws and regulations;
- are carrying out their project activities as described in their applications and contracts;
- are carrying out their project activities in a timely manner, in accordance with adopted project implementation schedules;
- are charging costs to the projects that are eligible uses of funds and consistent with the approved project budget; and
- are conducing the program in a manner that minimizes the opportunity for fraud, waste, and mismanagement.

Grantees are required to maintain complete financial and project files, to comply with CDBG reporting requirements, and to make their records available to authorized agents of the state or federal government. Representatives of the department must be provided reasonable access, during normal business hours, to all books, accounts, records, reports, and files pertaining to funded activities. Grantees must also provide all citizens with reasonable access to records regarding the use of the funds.

In addition to reviewing the project progress reports submitted with requests for funds, the MDOC liaison will schedule at least one on-site monitoring visit for each grantee. Most projects are monitored twice: first after start-up, second during actual implementation or construction activities. Monitoring visits usually involve a two-day visit to the community to review records, inspect the community's progress in completing the project activities, and meet with the project manager and local officials. On-site monitoring is a structured review conducted by the MDOC program officer at the locations(s) where project activities are being carried out and/or where project records are maintained. MDOC staff use a formal monitoring guide, with checklists that cover the key requirements discussed herein, as the format for their review of local projects.

Prior to a monitoring visit, the MDOC liaison will contact the project manager concerning the timing and scope of the monitoring visit. Each monitoring visit normally includes an entrance and exit conference. If it is inconvenient for local officials to schedule an entrance conference, the MDOC liaison will ensure that, at a minimum, an exit conference takes place. The entrance conference is designed to outline the scope of the monitoring visit. The exit conference provides an opportunity to meet with local officials and staff to review and discuss any outstanding issues identified during the first visit, both positive and negative. As part of that review, the MDOC liaison will describe his or her tentative conclusions and indicate the level of concern assigned to a particular issue and the reason for the concern. In particular, the MDOC liaison will discuss those issues that he or she intends to address in written monitoring comments. In many cases, by thoroughly discussing a potential problem, MDOC staff are able to determine that there is a reasonable explanation for a particular circumstance or question. Since the overall goal of the MDOC liaison is to assist grantees in achieving timely

and effective grant management, every effort will be made to informally resolve or clarify minor monitoring concerns during the exit conference.

Within 30 days following the monitoring visit, the MDOC liaison will provide written monitoring comments to the grant recipient. Copies of the letter will be sent to both the chief elected official and the project manager. The monitoring letter will contain the following general elements:

- a description of each major area the monitoring visit covered, files review, who conducted the review and the date it occurred;
- a brief description of the statutory or regulatory requirement at issue and an explanation of the documentation examined pertinent to the requirement;
- the conclusion the reviewer has reached; i.e., satisfactory performance, a "concern", a "question of performance," or a "finding"; and
- a statement that describes the basis for the conclusion.

Within the scope of a monitoring review there are potentially three levels that may be assigned to a particular issue, if the grant recipient's performance is considered less than satisfactory:

CONCERN

When an MDOC liaison raises an issue that does not involve a statutory or regulatory requirement but may involve recommending a management or program improvement, it is considered a "concern". A modification of an administrative procedure or policy is suggested but is not required. No response by local officials is required.

QUESTION OF PERFORMANCE

If the monitoring review raises a question regarding whether a violation of a statutory or regulatory requirement has occurred, the MDOC liaison will first informally discuss the review results with local officials to determine if a violation has occurred. If a determination cannot be made during the exit conference, the MDOC staff may conclude that there is still a "question of performance," and may request that additional information be provided within a 30-day period in order for the Department to determine whether a violation has, in fact, occurred. A final determination regarding the issue under question will be made within 30 days of the grant recipient's response.

FINDING

When a monitoring review of a grant recipient's performance reveals a specific, identifiable violation of a statutory or regulatory requirement about which there is no question, the MDOC liaison will make a "finding." A written response regarding the grantee's proposed actions to correct the situation is required within 30 days of the date of the MDOC liaison's monitoring letter.

Three possible corrective actions are allowed: prevent a continuance of the violation; mitigate any adverse effects or consequences of the violation to the extent possible under the circumstances; and prevent a recurrence of the same or a similar violation.

There may be a number of acceptable solutions for resolving a violation. The grantee is allowed to respond to each problem with any reasonable and adequate solution of its choice. The adequacy of a corrective action will be determined by MDOC. At all times, MDOC staff will offer any necessary technical assistance to grantees to avoid or resolve any monitoring findings.

IX. CITIZEN PARTICIPATION PLAN

INTRODUCTION

During calendar 1994, the U.S. Department of Housing and Urban Development issued rules relating to the consolidation of several formula grant programs. These are the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) programs. The first three programs are applicable to Montana. The consolidated plan brings together the planning, application, reporting, and citizen participation components of each of these formula programs. The purpose of this narrative is to present a portion of the consolidated planning process as it relates to citizen participation. More explicitly, the Montana Department of Commerce, Local Government Assistance Division, has prepared the following Citizen Participation Plan. This plan is pursuant to Subpart B of 24 CFR Part 91 Consolidated Submissions for Community Planning and Development Programs; Section 90-1-103, MCA; and under the procedures established by the Montana Administrative Procedures Act, Title 2, Chapter 4, MCA.

The objectives of the plan are to ensure the citizens of Montana, particularly persons of low and moderate income, low income households living in slum and blight areas, units of local government, public housing agencies, and other interested parties are provided the opportunity and encouraged to participate in the planning and preparation of the Housing and Community Development Plan (the HCD Plan or Consolidated Plan, including amendments to the plan and the Annual Performance Report). In doing so, this narrative lays out the general guidelines around which the Consolidated Plan will be developed, sets dates and milestones along which the process will proceed, and outlines methods for citizens to offer the State assistance and guidance in the formulation of the plan.

HUD's formula programs, alone, in concert with one another, and with other HUD-funded programs, have three basic goals pertinent to the consolidated plan: to provide decent housing; to provide a suitable living environment; and to expand economic opportunities. Providing decent housing may involve assisting homeless people to obtain appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination, and increasing supportive housing to assist persons with special needs. Providing a suitable living environment means improving the safety and livability of neighborhoods; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural, and aesthetic value; and conserving energy resources. To expand economic opportunities, the comprehensive approach emphasizes creation of accessible jobs, providing access to credit for community development, and assisting low-income persons to achieve self-sufficiency in federally assisted and public housing.

Within our society, the complexity of development problems has risen significantly. Assessing and solving the difficulties has outgrown what is offered by narrow, functional programs.

Montana's priority need problems demand links between human, economic, physical, environmental, and design concerns to build communities of opportunity. In order to gain this comprehension of development's complexities, the consolidated planning process must collect the knowledge that exists in the community, from citizens, local governments, private business, community-based organizations, and universities.

THE CONSOLIDATED PLAN

By combining the planning, application, public involvement, and reporting requirements of the formula grant programs, the Consolidated Plan becomes a holistic visioning process. It promotes a unifying opportunity for units of local government, the State, and others, thus laying the foundation for development of cohesive, attractive, safe, and economically vibrant communities. The focus of this plan is to bring together diverse elements of communities and create a cohesive view of their problems and using that view to fashion a comprehensive approach to community development. The consolidated planning process encourages all citizens, especially low income residents, to take a part in shaping their own future.

The Consolidated Plan will provide details to citizens, public agencies, and other interested parties of the amount of assistance the jurisdiction expects to receive, range of activities that may be undertaken, and the general program activities that will be planned in addressing the priority needs outlined in the plan. The plan also presents details on analysis and evaluation of priority needs statewide, as well as presenting policies related to the provision of affordable housing and community development. The plan also offers certifications stating that statutory guidelines have been followed, such as efforts to minimize the displacement of people and to assist persons who have been displaced.

THE PLANNING PROCESS

The Consolidated Plan is developed through public input solicited at meetings throughout the state. Some occur prior to development of the draft report, thereby collecting distinct issue input and aiding policy formation. Others are to be held after the release of the draft report, allowing interested parties an opportunity to review how the strategy has been designed and is presented. These meetings will be scheduled at times and locations that will encourage broad citizen participation. Occasionally these meetings are held in the evening to encourage the participation of as many groups and individuals as possible. The scheduling caters to citizens and organizations whose primary job may not be directly related to creating such a plan. Evening public participation meetings also are intended to solicit the input of low and moderate income residents who may be unable to attend daytime meetings due to work conflicts. Other meetings are held during normal business hours. These latter meetings, also open to the public, offer additional opportunities for participation in the development of the Consolidated Plan to units of local government and other representatives of interested parties. When a significant number of non-English speaking residents can reasonably be expected to participate in a public hearing, arrangements will be made to have an interpreter present.

PUBLIC INPUT TO THE PLAN

Several Consolidated Plan development meetings are to be held in the fall of 1994. The first meeting was held on Sept. 20, 1994, at Big Sky, Montana, with the Montana Association of Counties. This was followed by a Oct. 6 meeting in Butte with the Montana League of Cities and Towns. Other meetings have been tentatively planned. In each of these cases, public input on the development of the Consolidated Plan will be taken.

Direct public input to the Consolidated Plan process will be augmented with analysis of available quantitative data, such as surveys; employment and income data; housing, economic, and demographic data from the 1990 Census; agency inventories of public facility needs; and past applications for program funding. The surveys were completed for the FY 1994 Comprehensive Housing Affordability Strategy (CHAS) process. These were the *Survey of Montana's Housing Needs*, the *Montana Housing Opinion Survey*, and the *Montana Housing Survey*. Additional data and analysis of these surveys is being conducted for the Consolidated Plan process. The assessment of homelessness in Montana is further supplemented by additional analysis of a sheltered homeless survey conducted by the Montana Department of Social and Rehabilitation Services in 1992. Also, the SRS is currently implementing a survey of unsheltered homeless persons, typically a difficult population to reach.

After completion of the public input and assessment of more traditional quantitative data, the Draft Consolidated Plan will be prepared. The Draft HCD will be released a few weeks later, in late November, and will be available for public review. At that same time, the FY 1994 Annual Performance Report will be released for public review. This document evaluates last year's housing activities. Subsequent public review meetings will include this document along with the Consolidated Plan.

PUBLIC COMMENT ON THE DRAFT PLAN

After the draft 1995 Consolidated Plan is released in late November 1994, the plan will be available for public review and comment for at least 30 days, through Dec. 31, 1994. The public will be notified of the date the document will become available through public notices printed in newspapers of general circulation. The newspaper notices will summarize the contents and purpose of the plan and contain a representative list of places where the full document is available, such as libraries, government offices, and other public places. If affected communities do not have a newspaper, other suitable methods of notification may be substituted, such as radio announcements, mailed notices, or posters. The phone number and address of the Local Government Assistance Division, Montana Department of Commerce, will be included in the public notice to assist those persons otherwise unable to locate complete copies of the Consolidated Plan.

Public review meetings on the draft Consolidated Plan will be held. These meetings are tentatively planned for the weeks of December 6 and 13 in the following cities:

[INSERT PUBLIC HEARING SCHEDULE HERE]

Further, five-year historic data on applications submitted and funded for HOME, CDBG, and ESG will also be available for examination by the public from their respective agencies with due notice. Technical assistance will be available to groups representing persons of very low and low income who request such assistance in developing proposals for funding assistance under programs covered by the Consolidated Plan. The level and type of assistance which is appropriate will be determined by MDOC based on ability to provide or arrange for such assistance, the cost of providing assistance, and other relevant factors.

RELEASE OF THE CONSOLIDATED PLAN

Both written and transcribed summaries of oral comments on the Consolidated Plan, amendments to the plan, and Annual Performance Report will be included in the final draft of the documents. This includes those received during public meetings and those written comments received at other times and places. All comments will be incorporated into the text of the final report. The comment summaries will include views not accepted and the reason why.

Citizens, public agencies, and other interested parties will be notified of the availability of the Consolidated Plan as adopted, amendments to the plan, and the Annual Performance Report. They will be given opportunity to examine the contents of these reports for a period of no fewer than 30 days.

When practicable, written complaints regarding the Consolidated Plan, plan amendments, and Annual Performance Report will be responded to within 15 working days. A suitable response to those received by Dec. 31, 1994, will be made by Jan. 16, 1995. For those who wish to lodge a complaint about any of the documents, a letter is to be submitted to Ms. Sharon Haugen, HCD Coordinator, Montana Department of Commerce, 1424 Ninth Avenue, Helena, Montana 59620.

OTHER CITIZEN PARTICIPATION

Additional responsibilities are placed on program applicants and recipients at the local level. Applicants must provide citizens, especially low and moderate income residents, adequate notice and opportunity for meaningful involvement in the planning and development of applications. This will include at least two public hearings: one to complete a needs assessment before preparing the applications; the second before the application is authorized to be submitted. The meetings may be convened specially for that purpose or as part of a regularly scheduled meeting of the governing body. A record of attendees and a summary of comments must be submitted with the application for funding, along with the public notices or affidavits of publication for the notices. Notice of each public hearing must be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. For communities with no

newspaper, radio announcements, posters, and mailed notices may be considered suitable alternatives.

The first hearing is to be held not more than 12 months prior to the date of application. It is to inform citizens about the program from which funds will be requested, the amount of funds available, how it may be used, the range of eligible activities, and other general program requirements. The first hearing solicits public comment on community needs and priorities, housing and public facilities, and the needs of low and moderate income persons.

The purpose of the second hearing is to give citizens and other interested parties an opportunity to review and comment on the application before it is submitted. Is must be held not more than two months prior to the date of application. Issues addressed at the second hearing may include the proposed project location, activities, budget, costs to be imposed on residents as a result of the project, and the plans for minimizing displacement as a result of the activity.

AMENDING THE CONSOLIDATED PLAN

Possible amendments include changes in use of funds from one eligible activity to another, changes in the method of distribution of such funds, new activities, or alteration of the existing activities or budget. MDOC will make a determination as to whether the change is substantial enough to necessitate issuing an amendment to the plan. If so, then MDOC will conduct a public review process with a minimum of two public review meetings and, following the guidelines set forth above, present the amendment to the public for their review and comment. Other specific issues related to individual program guidelines are to be presented in the respective program application guidelines.

ROLE OF THE CONSOLIDATED PLAN

It is imperative that we understand the role of the Consolidated Plan. Therein lies the guidelines by which the three HUD formula programs will be operated, the general program activities that are to be considered consistent with the plan, and identification of resources to be made available for the plan's anticipated activities.

X. GLOSSARY OF TERMS

Abatement -- Any set of measures designed to permanently eliminate lead-based paint hazards in accordance with standards established by appropriate federal agencies. This may include removal of contaminated paint or dust, replacement of lead-contaminated surfaces or fixtures, the permanent containment or encapsulation of lead-contaminated paint, and the removal or covering of lead-contaminated soil. (Spring Training)

Affordable Housing (Section 215) -- The definition varies depending on the type of housing.

- *Rental housing* -- Occupied by a low-income person ($\leq$ 80% of MI) and bears the lessor of the Section 8 Existing FMRs and 30 percent of adjusted income of a family whose income equals 65 percent of the MI. (This definition is the same as the HOME program's "High Home Rents.")
- *Homeownership* -- Purchaser must be a low-income, first-time homebuyer, use home as a principle residence, and have a sales prices not exceeding the 203(b) limits. (The definition is the same as that used in the HOME program.)
- *Existing owner rehabilitation* -- Existing owner must be low income, use home as principle residence, value after rehab may not exceed the 203(b) mortgage limits. (The definition is the same as that used in the HOME program.)

AIDS or Related Diseases -- The disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for AIDS including infection with the human immunodeficiency virus (HIV).

Alcohol/Other Drug Abuse (AODA) -- Excessive and impairing use of alcohol or other drugs, including addiction. AODA is measured by reports of a history of inpatient treatment, current symptomatology, current intake, and any combination of these.

Assisted Household or Person -- A household or person is assisted if, during the federal fiscal year, they receive benefits through the investment of federal funds (or federal funds used with other funds). The definition is broken down further:

- *New tenant* -- The household or person takes occupancy of housing newly built, acquired, or rehabilitated, and/or receives rental assistance through new budget authority.
- *Existing tenant* -- The acquisition and/or rehabilitation is completed during the year; a tenant receives rental assistance through new budget authority.
- *Existing homeowner* -- The home's rehabilitation is completed during the year.
- *First-time homebuyer* -- The home is purchased (e.g. loan is closed) during the year.
- *Homeless person* -- The person becomes a transitional or permanent housing occupant during the year.
- *Nonhomeless person with special needs* -- The person is considered assisted only if the provision of supportive services is linked to the acquisition, rehabilitation, or new construction of a housing unit and/or the provision of rental assistance during the year.

Households or persons who will benefit from more than one program activity must be counted only once. To be included in the goals, the housing unit must, at a minimum, satisfy the HUD Section 8 Housing Quality Standards (see 24 CFR section 882.109).

Census Designated Place -- Densely settled concentrations of population that are identifiable by name, but are not legally incorporated places. Three population size criteria are used to designate a CDP:

- 1,000 or more persons if outside the boundaries of an urbanized area (UA);
- 2,500 or more persons if inside the boundaries of a UA; and
- 250 or more persons if outside the boundaries of a UA and within the official boundaries of an American Indian reservation.

Committed -- Generally means there has been a legally binding commitment of funds to a specific project to undertake specific activities.

Consistent with the CHAS -- A determination made by the state that a program application meets the following criteria: the Annual Plan for that fiscal year's funding indicates the state planned to apply for the program or was willing to support an application by another entity for the program; the location of activities is consistent with the geographic areas specified in the plan; and the activities benefit a category of residents for which the state's five-year strategy shows a priority.

Cost Burden > 30 percent -- The extent to which gross housing costs, including utility costs, exceed 30 percent of gross income, based on data published by the U.S. Census Bureau.

Cost Burden > 50 percent (Severe Cost Burden) -- The extent to which gross housing costs, including utility costs, exceed 50 percent of gross income, based on data published by the U.S. Census Bureau.

Developmentally Disabled -- Persons scoring at least two standard deviations below the mean on standardized intelligence tests are defined as developmentally disabled. (mean IQ = 70)

Disabled Household -- A household composed of one or more persons at least one of whom is an adult (a person of at least 18 years of age) who has a disability. A person shall be considered to have a disability if the person is determined to have a physical, mental, or emotional impairment that: (1) is expected to be of long-continued and indefinite duration, (2) substantially impedes his or her ability to live independently, and (3) is of such a nature that the ability could be improved by more suitable housing conditions. A person shall also be considered to have a disability if he or she has a developmental disability as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6006). The term also includes the surviving member or members of any household described in the first sentence of this paragraph who were living in an assisted unit with the deceased member of the household at the time of his or her death.

Economic Independence and Self-Sufficiency Programs -- Programs undertaken by Public Housing Agencies (PHAs) to promote economic independence and self-sufficiency for participating families. Such programs may include Project Self-Sufficiency and Operation Bootstrap programs that originated under earlier Section 8 rental certificate and rental voucher initiatives, as well as the Family Self-Sufficiency program. In addition, PHAs may operate locally developed programs or conduct a variety of special projects designed to promote economic independence and self sufficiency.

Elderly Household -- For HUD rental programs, a one- or two-person household in which the head of the household or spouse is at least 62 years of age.

Elderly Person -- A person who is at least 62 years of age.

Existing Homeowner -- An owner-occupant of residential property who holds legal title to the property and who uses the property as his/her principal residence.

Fair Housing Choice -- the ability of persons, regardless of race, color, religion, sex, handicap, familial status or national origin, of similar income levels to have available to them the same housing choices.

Family -- See definition in 24 CFR 812.2 (The National Affordable Housing Act definition required to be used in the CHAS rule differs from the Census definition). The Bureau of Census defines a family as a householder (head of household) and one or more other persons living in the same household who are related by birth, marriage or adoption. The term "household" is used in combination with the term "related" in the CHAS instructions, such as

for Table 2, when compatibility with the census definition of family (for reports and data available from the census based upon that definition) is dictated. See also "Homeless Family."

Family Self-Sufficiency (FSS) Program -- A program enacted by Section 554 of the National Affordable Housing Act that directs Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) to use Section 8 assistance under the rental certificate and rental voucher programs, together with public and private resources to provide supportive services, to enable participating families to achieve economic independence and self-sufficiency.

Federal Preference for Admission -- Preference given to otherwise eligible applicants under HUD's rental assistance programs who, at the time they seek housing assistance, are involuntarily displaced, living in substandard housing, or paying more than 50 percent of family income for rent. See, for example, 24 CFR 882.219.

First-Time Home Buyer -- An individual or family who has not owned a home during the three-year period preceding the HUD-assisted purchase of a home that must be used as the principal residence of the home buyer, except that any individual who is a displaced homemaker (as defined in 24 CFR 92) or a single parent (as defined in 24 CFR 92) may not be excluded from consideration as a first-time home buyer on the basis that the individual, while a homemaker or married, owned a home with his or her spouse or resided in a home owned by the spouse.

FmHA -- The Farmers Home Administration, or programs it administers.

For Rent -- Year-round housing units that are vacant and offered/available for rent. (U.S. census definition)

For Sale -- Year-round housing units that are vacant and offered/available for sale only. (U.S. census definition)

Frail Elderly -- An elderly person who is unable to perform at least three activities of daily living (i.e., eating, dressing, bathing, grooming, and household management activities). (See 24 CFR 889.105.)

Group Quarters -- Facilities providing living quarters that are not classified as housing units. (U.S. census definition). Includes prisons, nursing homes, dormitories, military barracks, and shelters.

HOME -- HOME Investment Partnerships Program, authorized by the National Affordable Housing Act, Title II.

Homeless -- Persons sleeping in shelters or in places not meant for human habitation.

Homeless Family -- Family that includes at least one parent or guardian and one child under the age of 18, a homeless pregnant woman, or a homeless person in the process of securing legal custody of a person under the age of 18 who is living in situations described by terms "sheltered" or "unsheltered."

Homeless Individual -- An unaccompanied youth (17 years or younger) or an adult (18 years or older) without children who is living in situations described by terms "sheltered" or "unsheltered."

Homeless Youth -- Unaccompanied person 17 years of age or younger who is living in situations described by terms "sheltered" or "unsheltered."

HOPE 1 -- The HOPE for Public and Indian Housing Homeownership Program, authorized by Title IV, Subtitle A of the National Affordable Housing Act.

HOPE 2 -- The HOPE for Homeownership of Multifamily Units Program, authorized by Title IV, Subtitle B of the National Affordable Housing Act.

HOPE 3 -- The HOPE for Homeownership of Single Family Homes Program, authorized by Title IV, Subtitle C of the National Affordable Housing Act.

Household -- One or more persons occupying a housing unit (U.S. census definition). See also "Family."

Housing Problems -- Households that (1) occupy units meeting the definition of physical defects; (2) meet the definition of overcrowded; and (3) meet the definition of cost burden greater than 30 percent.

Housing Unit -- An occupied or vacant house, apartment, or a single room (SRO housing) that is intended as separate living quarters. (U.S. census definition)

Institutions/Institutional -- Group quarters for persons under care or custody. (U.S. census definition)

Large Related -- A household of five or more persons that includes at least one person related to the householder by blood, marriage or adoption.

Lead-Based Paint -- HUD thresholds or action levels for abating lead-based paint are one milligram per square centimeter (1 mg/cm^2) or 0.5% by weight.

Lead-Based Paint Hazard -- Any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, lead-contaminated paint that is deteriorated or present in accessible surfaces, friction surfaces, or impact surfaces that would result in adverse human health effects as established by the appropriate federal agency. Lead-Based Paint Hazard Reduction Act of 1992 definition.

LIHTC -- (Federal) Low Income Housing Tax Credit.

Low Income -- Households whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. NOTE: HUD income limits are updated annually and are available from local HUD offices. This term corresponds to low- and moderate-income households in the CDBG Program.

Moderate Income -- Households whose incomes are between 81 percent and 95 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families. HUD may establish income ceilings higher or lower than 95 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. This definition is different from that of the CDBG Program.

Moderate Physical Problems -- Plumbing. On at least three occasions during the last 3 months, or while the household was living in the unit if less than 3 months, all the flush toilets were broken down at the same time for 6 hours or more. Heating. Having unvented gas, oil, or kerosene heaters as the primary heating equipment. Upkeep. Having any three of these six upkeep problems: water leaks from the outside, such as from the roof, basement, windows or doors; leaks from inside structure such as pipes or plumbing fixtures; holes in the floors; holes or open cracks in the walls or ceilings; more than 8 inches of peeling paint or broken plaster; or signs of rats or mice in the last 90 days. Hallways. Having any three of these four hallway problems: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator. Kitchen. Lacking a kitchen sink, refrigerator, or burners inside the structure for the exclusive use of the unit.

Moderate Rehabilitation -- Rehabilitation that involves costs that are less than or equal to 75 percent of the value of the building after rehabilitation. (Federal Register, July 20, 1992, pg. 32112, HOPWA)

Nonelderly Household -- A household that does not meet the definition of "Elderly Household," defined above.

Nonhomeless Persons with Special Needs -- Includes elderly, frail elderly, severe mental illness, developmentally disable, physically disabled, persons with alcohol/drug addiction, persons with AIDS or related diseases, and families participating in organized programs to achieve economic self-sufficiency.

Noninstitutional -- Group quarters for persons not under care or custody. (U.S. census definition used)

Occupied Housing Unit -- A housing unit that is the usual place of residence of the occupant(s).

Other Household -- A household of one or more persons that does not meet the definition of a small related household, large related household, or elderly household.

Other Income -- Households whose incomes exceed 80 percent of the median income for the area, as determined by the secretary of HUD, with adjustments for smaller and larger families.

Other Low-Income -- Households whose incomes are between 51 percent and 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. This term corresponds to moderate-income in the CDBG Program.

Other Vacant -- Vacant year-round housing units that are not for rent or for sale, including units awaiting occupancy or held.

Overcrowded -- A housing unit containing more than one person per room. (U.S. census definition)

Owner -- A household that owns the housing unit it occupies. (U.S. census definition)

Physical Defects -- A housing unit lacking complete kitchen or bathroom. (U.S. census definition)

Physically Disabled -- Persons with an illness or impairment that impedes his/her ability to function independently.

Primary Housing Activity -- A means of providing or producing affordable housing -- such as rental assistance, production, rehabilitation or acquisition -- that will be allocated significant resources and/or pursued intensively for addressing a particular housing need. See also "Secondary Housing Activity."

Project-Based (Rental) Assistance -- Rental assistance provided for a project, not for a specific tenant. Tenants receiving project-based rental assistance give up the right to that assistance upon moving from the project.

Public Housing CIAP -- Public Housing Comprehensive Improvement Assistance Program.

Public Housing MROP -- Public Housing Major Reconstruction of Obsolete Projects.

Rehabilitation -- The improvement or repair of an existing structure, or an addition to an existing structure that does not increase the floor area by more than 100 percent. (Federal Register, July 20, 1992, pg. 32112, HOPWA)

Rent Burden > 30 percent (Cost Burden) -- The extent to which gross rents, including utility costs, exceed 30 percent of gross income, based on data published by the U.S. Census Bureau.

Rent Burden > 50 percent (Severe Cost Burden) -- The extent to which gross rents, including utility costs, exceed 50 percent of gross income, based on data published by the U.S. Census Bureau.

Rental Assistance -- Rental assistance payments provided as either project-based rental assistance or tenant-based rental assistance.

Renter -- A household that rents the housing unit it occupies, including both units rented for cash and units occupied without cash payment of rent. (U.S. census definition)

Renter-Occupied Unit -- Any occupied housing unit that is not owner-occupied, including units rented for cash and those occupied without payment of cash rent.

Rural Homelessness Grant Program -- Rural Homeless Housing Assistance Program, which is authorized by Subtitle G, Title IV of the Stewart B. McKinney Homeless Assistance Act.

Secondary Housing Activity -- A means of providing or producing affordable housing--such as rental assistance, production, rehabilitation or acquisition -- that will receive fewer resources and less emphasis than primary housing activities for addressing a particular housing need. See also "Primary Housing Activity."

Section 215 -- Section 215 of Title II of the National Affordable Housing Act: the section that contains the CHAS provisions. Section 215 defines "affordable" housing projects under the HOME Program. See "Affordable Housing."

Service Needs -- The particular services identified for special needs populations, which typically may include transportation, personal care, housekeeping, counseling, meals, case management, personal emergency response, and other services to prevent premature institutionalization and assist individuals to continue living independently.

Severe Cost Burden -- See Cost Burden > 50 percent.

Severe Mental Illness -- Includes the diagnoses of psychoses (e.g. schizophrenia) and the major affective disorders (e.g. bipolar, major depression). This does not include those diagnosed with organic disorders. It must be chronic, having existed for at least one year. SMI significantly limits a person's ability to live independently. This definition is different from that of the National Institute on Mental Health.

Severe Physical Problems -- Plumbing. Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure for the exclusive use of the unit. Heating. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time. Electric. Having no electricity or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit breakers in the last 90 days. Upkeep. Having any five of the six maintenance problems listed above; Hallways. Having all of the four problems listed above in public areas.

Sheltered -- Families and persons whose primary nighttime residence is a supervised publicly or privately operated shelter, including emergency shelters, transitional housing for the homeless, domestic violence shelters, residential shelters for runaway and homeless youth, and any hotel/motel/apartment voucher arrangement paid because the person is homeless. This term does not include persons living doubled up or in overcrowded or substandard conventional housing. Any facility offering permanent housing is not a shelter, nor are its residents homeless.

Shelters -- Residences that do not provide the opportunity for continuous tenancy, including overnight facilities vacated each day, hotels and other places provided for a temporary stay using "vouchers" or "chits," transitional shelters (maximum stay is up to two years).

Small Related -- A household of two to four persons that includes at least one person related to the householder by birth, marriage, or adoption.

Substandard Condition and not Suitable for Rehab -- By local definition, dwelling units that are in such poor condition as to be neither structurally nor financially feasible for rehabilitation.

Substandard Condition but Suitable for Rehab -- By local definition, dwelling units that do not meet standard conditions but are both financially and structurally feasible for rehabilitation. This does not include units that require only cosmetic work, correction or minor livability problems, or maintenance work.

Substantial Amendment -- A major change in an approved housing strategy. It invokes a change to the five-year strategy, which may be occasioned by a decision to undertake activities or programs inconsistent with that strategy.

Substantial Rehabilitation -- Rehabilitation of residential property at an average cost for the project in excess of $25,000 per dwelling unit; or rehabilitation that involves costs in excess of 75 percent of the value of the building after rehabilitation.[5]

Supportive Housing -- Housing, including housing units and group quarters, that have a supportive environment and includes a planned service component.

Supportive Service Need in FSS Plan -- The plan that PHAs administering a Family Self-Sufficiency program are required to develop to identify the services they will provide to participating families and the source of funding for those services. The supportive services may include child care; transportation; remedial education; education for completion of secondary or post-secondary schooling; job training, preparation and counseling; substance abuse treatment and counseling; training in homemaking and parenting skills; money management and household management; counseling in home ownership; job development and placement; follow-up assistance after job placement; and other appropriate services.

Supportive Services -- Services provided to residents of supportive housing for the purpose of facilitating the independence of residents. Some examples are case management, medical or psychological counseling and supervision, child care, transportation, and job training.

Tenant-Based (Rental) Assistance -- A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. The assistance is provided for the tenant, not for the project.

Total Vacant Housing Units -- Unoccupied year-round housing units. (U.S. census definition)

Unsheltered -- Families and individuals whose primary nighttime residence is a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings (e.g., streets, parks, alleys).

Vacant Awaiting Occupancy or Held -- Vacant year-round housing units that have been rented or sold and are currently awaiting occupancy, and vacant year-round housing units that are held by owners or renters for occasional use. (U.S. census definition)

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[5] The first definition is from Appendix A of HUD's Instructions for Developing and Completing a Five-Year CHAS. The second is from the *Federal Register*, July 20, 1992, pg. 32112, regulations for the Housing Opportunities for Persons with AIDS Program.

Vacant Housing Unit -- Unoccupied year-round housing units that are available or intended for occupancy at any time during the year.

Very Low Income -- Households whose incomes do not exceed 50 percent of the median area income, as determined by HUD, with adjustments for smaller and larger families and for areas with unusually high or low incomes or where needed because of prevailing levels of construction costs or fair market rents. This term corresponds to low-income households in the CDBG Program. For the purpose of further distinguishing needs within this category, two subgroups (0 to 30 percent and 31 to 50 percent of MFI) have been established in CHAS tables and narratives.

Worst-Case Needs -- Unassisted, very low-income renter households who pay more than half or their income for rent, live in seriously substandard housing (which includes homeless people) or have been involuntarily displaced.

Year-Round Housing Units -- Occupied and vacant housing units intended for year-round use. (U.S. census definition.) Housing units for seasonal or migratory use are excluded.

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